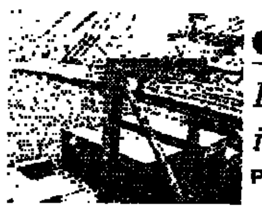
**Information highways**
*US aims to solve regulation maze*
Page 13



**Quay to success**
*Pioneer port in Singapore*
Page 10





**Car wars, card wars**
*Why Barclaycard and Ford got together*
Page 9

**Guerre scolaire**
*Tug of war in France's schools*
Page 3


# FINANCIAL TIMES

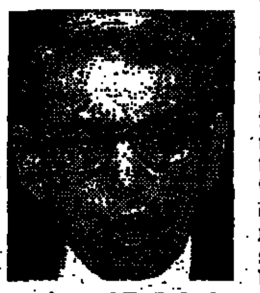
Europe's Business Newspaper THURSDAY JANUARY 13 1994


## Democrats add to pressure on Clinton over property funds

US president Bill Clinton was expected to give in to mounting political pressure yesterday and ask attorney-general Janet Reno to appoint a special counsel to investigate his involvement with a bankrupt Arkansas savings and loan institution in the 1980s. The call may be Mr Clinton's last hope of getting the issue behind him before Congress returns to Washington in a fortnight's time. Page 14; Come-clean calls, Page 6

**Vatican bank bribes link alleged:** Luigi Bisignani, Ferruzzi's former head of external relations, told a court hearing of the first big prosecution in Italy's political corruption affair that he had used the Vatican bank to channel alleged bribes from the industrial group to secret accounts outside Italy. Page 14

**UN orders study on Bosnia air strikes**



United Nations secretary general Boutros Boutros Ghali (left) ordered a preliminary study on the use of air strikes in Bosnia against Serb targets to help clear the way for food drops to besieged Moslem enclaves. British prime minister John Major said those who impeded UN operations in Srebrenica and Tuzla had to realise that "force is available" to support relief efforts. Page 2

**US producer prices fall:** A sharp fall in energy costs, reflecting lower world oil prices, led to a decline in US producer prices for finished goods last month, the third fall in the past six months, the Commerce Department reported. Page 6

**ICI pulls out of Du Pont joint venture:** UK chemicals company Imperial Chemical Industries has pulled out of a $75m joint venture in Germany with US chemicals company Du Pont to produce paint used in car manufacture. Page 15

**French nuclear group to be sold:** The French government launched the privatisation of nuclear power station group Framatome through a limited tender offer. Page 15.

**Japanese unions seek 6% pay rise:** Japan's trade unions demanded pay rises of 5-6 per cent, saying they would stimulate growth and pull Japan out of recession. Last year, wage increases averaged 3.89 per cent. Page 4

**Yeltsin aide fails to win vote:** Vladimir Shumeiko, a key aide of Russian president Boris Yeltsin, failed in the first vote to become speaker of the upper house of parliament as regional leaders gave almost equal support to an ultra-nationalist candidate. A second vote will be held. Page 2

**Record earnings for Fannie Mae:** The US Federal National Mortgage Association reported record fourth-quarter profits of $493.6m and predicted that the housing market would continue its strong recovery. Page 17

**Banco Popular profits up 7%:** Spanish bank Banco Popular reported net profits of Pta58bn ($401.5m) last year, a rise of 7.3 per cent on 1992, despite being particularly exposed to Spain's sharply falling interbank rate and the enduring recession. Page 16

**Rémy Cointreau,** French drinks group, reported a 24 per cent increase in first-half net profits and said it expected full-year results to be ahead of last year's despite slower growth in the third quarter. Page 15; Lex, Page 14

**Chiapas ceasefire ordered:** Mexican president Carlos Salinas ordered an immediate unilateral ceasefire in the southern state of Chiapas after the army claimed to have regained control of former rebel strongholds. Page 6

**Emirates airline discloses first results:** Dubai state-owned airline Emirates reported net profits of Dh10.6m ($2.9m) for the year to March 1993. It is the first time the airline has disclosed results since it was set up nine years ago. Page 18

**Rise in investment for Vietnam:** Vietnam, which has been liberalising its economy for five years, approved foreign investment projects worth $2.86bn last year, a rise of 47 per cent over 1992, the government said. Page 4

**Korean carmaker launches US challenge:** Kia Motors, second-placed South Korean carmaker, is to begin selling cars in the US next month and plans to have a coast-to-coast franchise by the end of 1995. Page 5

| ■ STOCK MARKET INDICES | | |
|---|---|---|
| FT-SE 100: | 3372.0 | (-41.8) |
| Yield | 3.49 | |
| FT-SE Eurotrack 100 | 1475.08 | (-18.73) |
| FT-A All-Share | 1675.86 | (-1.0%) |
| Nikkei | 18793.88 | (+308.63) |
| New York lunchtime: | | |
| Dow Jones Ind Ave | 3841.03 | (-9.26) |
| S&P Composite | 473.22 | (-0.91) |
| ■ US LUNCHTIME RATES | | |
| Federal Funds: | 2 13/16% | |
| 3-mo Treas Bills: Yld | 3.003% | |
| Long Bond | 101 1/4 | |
| Yield | 6.153% | |
| ■ LONDON MONEY | | |
| 3-mo Interbank | 5 7/16% | (5 7/16%) |
| Liffe long gilt future: | Mar 119 5/32 | (Mar 118 29/32) |
| ■ NORTH SEA OIL (Argus) | | |
| Brent 15-day (Feb) | $13.665 | (13.79) |
| ■ Gold | | |
| New York Comex (Feb) | $388.9 | (388.7) |
| London | $386.2 | (385.25) |

| ■ STERLING | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.503 | |
| London: | | |
| $ | 1.5013 | (1.4913) |
| DM | 2.6072 | (2.5944) |
| FFr | 8.8648 | (8.8217) |
| SFr | 2.2054 | (2.2033) |
| Y | 168.789 | (167.743) |
| £ Index | 82.9 | (82.5) |
| ■ DOLLAR | | |
| New York lunchtime: | | |
| DM | 1.73495 | |
| FFr | 5.89975 | |
| SFr | 1.46585 | |
| Y | 112.3 | |
| London: | | |
| DM | 1.7366 | (1.7398) |
| FFr | 5.9048 | (5.9156) |
| SFr | 1.469 | (1.4775) |
| Y | 112.415 | (112.485) |
| $ Index | 67.5 | (67.7) |
| Tokyo Close Y 112.19 | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Lux | LFr65 | Qatar | QR13.00 | | |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Malta | Lm0.60 | S.Arabia | SR11 | | |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh15 | Singapore | S$4.30 | | |
| Bulgaria | Lw25.00 | Iceland | IKr215 | Neth | Fl 4.00 | Slovak Rp | KSL50 | | |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira50 | South Africa | R12.00 | | |
| Czech Rp | CZK50 | Israel | Shk6.90 | Norway | NKr17.00 | Spain | Pta225 | | |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr18 | | |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 | | |
| Finland | FM14 | Jordan | JD1.50 | Philippines | Pso50 | Syria | S£50.00 | | |
| France | FFr8.00 | Kuwait | Fils.625 | Poland | Zl 32,000 | Tunisia | Din1.500 | | |
| Germany | DM3.50 | Lebanon | US$1.50 | Portugal | Es225 | Turkey | L10000 | | |
| | | | | | | UAE | Dh12.00 | | |

# Italian prime minister fights no-confidence motion

By Robert Graham in Rome

Mr Carlo Azeglio Ciampi, the Italian prime minister, yesterday sought a strong mandate from parliament to run a caretaker administration in the run-up to early elections.

The former governor of the Bank of Italy made the plea to avoid a destabilising power vacuum when he opened the debate on the no-confidence motion presented by Mr Marco Panella, the Radical leader.

The outcome of the debate last night remained uncertain, but it seemed unlikely that the Christian Democrats would succeed in prolonging the life of parliament until European parliamentary elections in June. Mr Umberto Bossi, leader of the Northern League, said he would be withdrawing his party's deputies and senators from the legislature.

The League's withdrawal underlined the fact that the current legislature, elected in April 1992, had reached the end of its natural life, according to Mr Bossi. This, coupled with the hostility of the former communist Party of the Democratic Left (PDS) to prolonging the present parliament, will put strong pressure on President Oscar Luigi Scalfaro to call elections for early April at the latest.

Mr Ciampi avoided announcing his resignation, but made it clear he had completed the limited objectives of his original mandate when he accepted the post of prime minister in April last year.

In a carefully worded speech, Mr Ciampi appeared anxious to ensure the no-confidence motion was defeated, at the same time making sure all his options were kept open.

His supporters said it was important to defeat the no-confidence motion since this would give him more authority to run a caretaker government. Mr Ciampi himself made frequent reference to the need to maintain Italy's international credibility. He said his government had no power to influence parliament on early elections, but warned of the dangers of a political vacuum.

The no-confidence motion has been backed by a hard core of the four-party Christian Democrat-led coalition that has been formally backing the Ciampi government. The aim of prolonging the life of the current parliament has a twofold purpose: to allow time for a hopelessly divided Christian Democrat party to reform and to exploit as long as possible parliamentary privileges that help protect deputies from prosecution for corruption. One in six members risk prosecution on corruption charges.

However, the four-party coalition has never had a majority of more than 16 votes and it looked unlikely last night all would back the Panella no-confidence motion. As an alternative, some Christian Democrats talked of presenting a counter-vote in the form of a confidence motion.

Vatican bribes link, Page 11

# Balladur to visit China as mutual ties improve

By John Ridding in Paris

France moved to repair its strained relations with China yesterday, announcing that it would authorise no further arms sales to Taiwan and that Mr Edouard Balladur, the French prime minister, would pay an official visit to Beijing within the next few months.

In a joint statement issued by the French government and by Xinhua, the official Chinese news agency, the two countries said they sought a "total normalisation of relations and the restoration of warm ties". French officials said the return to close political links would add impetus to trade and investment and end discrimination against French companies seeking contracts in China.

Relations between the two countries have been strained since the end of 1992 after a decision by France to sell 60 Mirage 2000-5 fighter aircraft to Taiwan in a deal worth an estimated $2.6bn. China responded by closing the French consulate in Guangzhou, one of the strongest actions taken by Beijing against a western nation.

Although the Mirage aircraft have not yet been delivered to Taiwan, the sale is set to go ahead. "Commitments made in the past will be honoured," said Mr Alain Juppé, the French foreign minister. Similarly, a contract for six frigates concluded with Taiwan in September 1991 will be unaffected.

The joint statement, however, reflected France's desire to reassure Beijing about its future relations with Taiwan. "France has confirmed that it recognises the government of the People's Republic of China as the sole legal government of China, and Taiwan as an integral part of Chinese territory," the statement said. "In view of the concerns of the Chinese side, the French government has undertaken not to authorise any French company to participate in the arming of Taiwan."

Yesterday's announcements also reflect France's desire to participate in China's rapid economic expansion. Several French industrial groups, such as PSA Peugeot-Citroën, already have substantial investments there. Other companies, such as Aérospatiale, the aircraft manufacturer, are eager to break into the Chinese market.

Such hopes will be encouraged by the strengthening of diplomatic ties. A statement on Xinhua said that Beijing would "welcome participation by French companies in competition on the Chinese market on an equal footing."

No date was set for the visit of Mr Balladur, but French officials said the French prime minister would probably travel to Beijing in March.

The rapprochement between Paris and Beijing was arranged by Mr Jacques Friedmann, a friend of Mr Balladur, who was appointed chairman of Union des Assurances de Paris, the state-owned insurance group, at the end of last year. Mr Friedmann made two visits to China, in July and December last year, to prepare yesterday's accord.

## US offers economic aid but no timetable for alliance membership

# Clinton opens Nato door to eastern Europe

By Jurek Martin and Patrick Blum in Prague

Reuter

President Clinton (left) visits the Jewish cemetery in Prague before talks with east European leaders

US president Bill Clinton said yesterday it was "no longer a question of whether" Nato would acquire new members in eastern Europe "but of when and how".

The Partnership for Peace adopted by the Nato summit earlier this week was "not a permanent holding group", he said after bilateral meetings in Prague with the leaders of the Visegrad group of countries – the Czech Republic, Poland, Hungary and Slovakia – which are generally considered to head the queue for Nato membership.

But Mr Clinton told them that while he saw "a clear link" between the partnership and eventual accession to the alliance, he had advanced "no promises, no criteria and no timetable", and had not, according to a White House official, raised the question of "explicit security guarantees".

In their public remarks the Visegrad leaders did not dissent from the president's views. President Lech Walesa of Poland said he had found the session "most gratifying", while President Vaclav Havel of the Czech Republic welcomed the partnership as "a good departure in the Nato quest for a new identity" and promised his country would work "quickly and energetically" to prove itself "worthy of membership".

But he added that while "it is not possible or desirable to isolate Russia, we are independent states who decide our own affiliations and policies".

Mr Clinton still felt it necessary to sweeten the pill of any disappointment by offering a modest programme of economic assistance to the Visegrad Four intended to encourage both national economic reform and regional integration.

This, a White House official conceded, involved "more know-how than money", though it included some concrete proposals. Chief among them is an increase from $50m a project to $200m in the cover provided by the US Overseas Private Insurance Corporation.

The US will also set up a $30m programme, drawn from existing funds and known as the "democracy network", designed to bring together US and eastern European organisations engaged in education, legal and social reform.

As an earnest of his intent to preach the business gospel wherever he goes, Mr Clinton spoke yesterday in the Prague branch of Kmart, the US discount store chain, to an audience of Czech entrepreneurs as well as representatives of the thousands of Americans pursuing business ventures in the republic.

Pressure on Clinton mounts over property funds, Page 14

# Metallgesellschaft insists on refinancing as package

By David Waller in Frankfurt

Metallgesellschaft, the German metals, mining and industrial group, strengthened pressure on its 120 bank creditors yesterday, saying if they did not accept the entire proposed DM3.4bn ($2.1bn) refinancing, the group would declare itself insolvent.

The threat was an attempt to crush last-minute resistance to the refinancing. Norddeutsche Landesbank, a large German public-sector bank which is owed DM239.4m, denounced the plan this week and many foreign institutions oppose it.

Metallgesellschaft's ultimatum was sent by letter faxed to all its bank creditors yesterday afternoon and made public yesterday evening. The official deadline for banks' response was 5pm yesterday, but Deutsche Bank, chairing the bankers' co-ordinating committee, said the outcome would not be clear until late today or even Friday.

Reflecting uncertainty about Metallgesellschaft's fate, the Frankfurt-based group's shares dropped DM10 to close last night at DM226.

The letter sent by Metallgesellschaft argued that on legal and business grounds it would be obliged to declare itself insolvent if banks did not accept the DM3.4bn package as it stands. It envisages a DM1.4bn rights issue, coupled with the conversion of DM1.3bn of bank debt into junior convertible stock and the provision of DM700m of new credits.

Despite the continuing opposition of NordLB, other leading banks said they would support the proposals. Bayerische Landesbank, another public-sector bank owed DM381m, said it would back the bail-out, as did Barclays Bank, the UK clearer, which is owed DM154.5m. Barclays, however, expressed reservations, saying there were areas of the agreement that "required future work".

On Tuesday Mr Manfred Bodin, NordLB's chief executive, denounced the "dictatorial" way in which banks had been given no room for negotiation and said that the MG group's shareholders should make a greater contribution. The focus of his anger was the proposal to require banks to subscribe to part of the rights issue, thereby converting debt into equity.

Although many other banks share the concern about the debt-equity conversion, they have voted in favour of the package in the knowledge that their financial exposure to the group would be greater if it were declared insolvent.

NordLB said it still opposed the package and Mr Bodin, with his deputy, was involved in talks in Frankfurt on the plans. They argue that the group's capital should be reduced before banks are obliged to exchange debt into equity. Metallgesellschaft said in its letter yesterday that that was impossible as it would deny the group future access to international capital markets.

CONTENTS

# Georgia near deal on rebel province

By Frances Williams in Geneva

Georgian government officials and representatives of the breakaway province of Abkhazia were yesterday edging towards an agreement on deployment of international peacekeeping forces while negotiations on Abkhazia's long-term political status continue.

The talks, mediated by UN special envoy Edouard Brunner with Mr Boris Pastukhov, Russia's deputy foreign minister, acting as "facilitator", began in Geneva on Tuesday and are due to end today.

The two sides have observed a *de facto* ceasefire since last September when Abkhaz forces, in violation of a Russian-brokered ceasefire, seized control of the territory. In that brief but bloody show of force, 250,000 people, mostly Georgian, were forced to flee their homes.

On December 1, following a first round of talks in Geneva, the Georgian government and Abkhaz representatives signed a memorandum of understanding, which included a pledge not to use force during the period of negotiations, an exchange of prisoners and the creation of conditions for refugees to return.

The two sides also appealed to the UN to increase the number of international observers and to send peacekeeping troops to the conflict area. The UN security council responded last month by agreeing to send 50 observers.

This week's negotiations have focused largely on where UN troops should be deployed. The Abkhaz delegation is pressing for them to be confined to the Inguri river separating the two sides, while the Georgian government wants them stationed within Abkhazia.

Also under discussion is a plan for refugees to return to a small part of Abkhazia where the authorities can guarantee their safety. Abkhaz representatives admit that this is not yet possible throughout the province.

Relatively little progress has been made on the future political status of Abkhazia. The Abkhaz side wants either full independence or a high degree of autonomy within a confederal Georgia, despite the fact that before the war Abkhazians made up only 18 per cent of the region's population. The Georgian government of Mr Eduard Shevardnadze is pushing for more limited autonomy within a unitary Georgian state.

## Shevardnadze visits Turkey

Improved relations between Georgia and Turkey would help peace and stability in the Caucasus, Mr Eduard Shevardnadze, Georgia's president, said yesterday, Reuter reports from Ankara.

Mr Shevardnadze, who arrived in Ankara for a two-day official visit, met President Suleyman Demirel before the two leaders headed their delegations in official talks. "I am hoping this visit will produce positive consequences for peace in the Caucasus," Mr Shevardnadze said.

## Clinton to press for faster economic change

# US to give Moscow reform incentive

By John Lloyd in Moscow

President Bill Clinton will today hold out the promise of accelerated assistance to Russia, in talks with President Boris Yeltsin in Moscow, if the new Russian government remains committed to reform.

Mr Clinton's move comes as the prospect of a reformist cabinet still hangs in the balance and as the main reformers – Mr Yegor Gaidar, first deputy prime minister, and Mr Anatoly Cgubais and Mr Boris Fyodorov, deputy prime ministers for privatisation and for finance – are themselves doubtful and divided about the possibility of working in the new cabinet.

Mr Viktor Chernomyrdin, the prime minister, is said to favour a "balanced" inner cabinet of two conservative and two radical deputy prime ministers – a structure with which the reformists have said they would be unhappy, and in which they may refuse to take part.

Mr Clinton's message on the economic front, according to a senior US official last night, is for "more reform in Russia and more money from the west to support it". This comes after a meeting of senior officials from the Group of Seven industrialised countries in Frankfurt last weekend agreed that the International Monetary Fund – the main instrument for providing financial aid to Russia – should become much more active in offering assistance to reform.

The IMF last year disbursed, after some hesitation, a \$1.5bn tranche of a systemic transformation facility designed to encourage and support reform efforts.

However, negotiations of the second \$1.5bn tranche, and the further \$4bn for stabilisation, are not expected until the end of this month and are delayed because of lack of a budget for this year and uncertainties about the shape of the new cabinet.

The G7 officials, who represent the IMF's main paymasters, believe that while the IMF should remain the lead agency for assistance and that no new money should be made available, a fresh effort should be made by the fund and by the World Bank to put the resources already committed, and their expertise, more immediately at the service of reform strategies – assuming that these survive the coming cabinet changes.

They do not believe as some senior US administration members, including vice-president Al Gore and Mr Strobe Talbott, ambassador at large for the former Soviet Union, appeared to suggest in the past few weeks, that Russian efforts to bring down inflation and the budget deficit should be eased.

Instead, they have taken the lesson of the Russia's December elections, in which communists and ultra-nationalist parties won large shares of the vote, to mean that the west must not be seen to be too carping in its demand for precise inflationary and deficit reduction targets.

They believe that western governments and financial institutions should instead show recognition of the structural reforms already achieved, especially in the field of privatisation.

# Air strike threat cuts little ice in Bosnia

By Laura Silber in Belgrade and James Blitz in London

A preliminary study of air strikes against Serb targets in the United Nations effort to feed besieged Moslem enclaves in Bosnia was ordered yesterday by Mr Boutros Boutros Ghali, UN secretary-general.

Mr Yasushi Akashi, the new head of UN peacekeeping forces in former Yugoslavia, will today visit Belgrade as part of a mission to investigate the prospects for opening the airport in Tuzla, the biggest government enclave, and facilitating the rotation of some 300 Canadian peacekeepers stranded in Srebrenica, a Moslem enclave in eastern Bosnia.

At the close of a two-day Nato summit, the 16 member countries issued a joint declaration warning all three warring parties – but the Serbs in particular – that the use of air strikes remained an option.

Those impeding UN operations in Srebrenica and Tuzla had to realise that "force is available" to support relief efforts, said Mr John Major, UK prime minister.

Addressing the House of Commons yesterday, he refused, however, to give a firm guarantee that Nato would use force to assist the relief effort in Bosnia. He stressed that UN commanders on the ground would have to give the go-ahead first.

But Mr Major stressed that while every Nato country was prepared to use force, no government would take the decision lightly. "We will seek the advice of the military commanders on the scene," he said.

But in a familiar response, Bosnian Serb leaders scoffed at the renewed Nato threats. Political and military leaders this week repeated their vehement refusal to allow the opening of Tuzla airport, which UN relief workers say would be an important life-line to the desperate city.

Serb chieftains indicated, however, that they would allow the relief of the Canadians in Srebrenica.

They have called a session of their "parliament" for Monday to decide whether to adopt a new platform to put forward at partition talks, due to be held in Geneva on January 18.

While Serb leaders dismissed the Nato communique as a "storm in a teacup", the response in Sarajevo was also lukewarm. A Bosnian radio commentary appeared to warn against false hopes. It said the stepped-up threats should not be taken seriously, describing the show of Nato air strength over Bosnia's skies as a "spectacle".

Associated Press

Children at an orphanage in the Croatian town of Split welcoming a Spanish Red Cross aid vehicle

# Yeltsin aide fails to win parliament vote

By Leyla Boulton in Moscow

Mr Vladimir Shumeiko, a key aide of Russian President Boris Yeltsin, yesterday failed to become speaker of the upper house of parliament by a few votes, as regional leaders snubbed the head of state by giving almost equal support to an ultra-nationalist factory director.

Mr Shumeiko sought to woo the regional leaders who sit in the Federation Council by promising them more powers, as well as a shift in economic policy, and less interference from the president.

But Mr Pyotr Romanov, manager of a Siberian oil refinery who stressed his patriotism and the importance of state power, picked up 79 votes against Mr Shumeiko's 81. According to a colleague from St Petersburg, Mr Romanov is a member of the Russian National Assembly, a right-wing organisation headed by a hardline KGB general.

The victor in a repeat vote needs to obtain support of at least half the 171-strong Federation Council.

The election of Mr Shumeiko, a first deputy prime minister and close associate of Mr Yeltsin, would confirm the upper chamber, or Federation Council, as the more co-operative of the two parliamentary chambers.

Fresh squabbling broke out yesterday among deputies of the lower chamber, the State Duma, even though it was not in session, when Mr Vladimir Zhirinovsky, leader of the neo-fascist Liberal Democratic party, insisted that he should become speaker.

A meeting of faction leaders broke up after members representing Russia's Choice, Russian Unity, Accord, and Women of Russia walked out in protest over his attempt to renege on a deal to give the job to a candidate from the women's party.

Shumeiko: Yeltsin's choice

They later reconvened to try to pick a speaker, with all factions agreeing to block his Liberal Democratic party should Mr Zhirinovsky try to take over proceedings without their agreement.

Mr Shumeiko, who got himself elected to the Federation Council from the Russian-speaking enclave of Kaliningrad, had earlier proposed that if the State Duma blocked legislation, the new Federation Council could take on new functions – say approving the budget – not foreseen for it by the constitution.

He also promised a vigorous defence of the interests of Russia's restless regions. He suggested the abolition of the system of presidential representatives in the regions, who he said duplicated the functions of the governors, and proposed that powerful regional groupings, such as the Siberian Agreement, a loose association of provinces in Siberia, be enlisted to help draft legislation favourable to the regions.

Complaining that "the western-style liberal social order could turn out to be alien to Russia", Mr Shumeiko reiterated plans for a shift in economic policy "which would turn our face to producers". This shift in priorities, away from those desired by radical reformers such as the deputy prime minister, Mr Yegor Gaidar, has already been set out by Mr Victor Chernomyrdin, the prime minister.

Reformers argue that it is not possible genuinely to stabilise output unless enterprises are made more efficient by greater financial discipline and inflation is sharply reduced. But many regional officials, brought up to value industrial output targets in the old communist era, favour a more traditional approach, especially since they would have to deal directly with the open joblessness, rather than hidden unemployment, that would follow more radical policies.

Meanwhile, Democratic Russia, the anti-communist movement that has been an important and consistent source of support for Mr Yeltsin, yesterday warned that it would go into opposition against him if he removed radical reformers from the government, as expected in a reshuffle due next week. They complained specifically about plans to keep Mr Alexander Zaveriukha, a conservative closely affiliated to the communist-oriented Agrarian party, as first deputy prime minister responsible for agriculture.

# Swiss row with Paris deepens on Iranians

The Swiss government has stepped up the pressure on France over its expulsion of two Iranian murder suspects, demanding an explanation of why Paris sent the two home rather than comply with Switzerland's request for their extradition, writes Ian Rodger in Zurich.

French leaders have said only that the move, which violates European conventions on extradition and the prevention of terrorism, was "related to the national interest". Mr Charles Pasqua, the interior minister, has already given a dusty response to a US state department request for an explanation.

"I have no explanation to give the Americans. I am not an employee of Mr Clinton," Mr Pasqua said on French radio.

The two Iranians, Moshen Sharif Esfanhi and Ahmed Taheri, were arrested in France in 1992 at the request of the Swiss authorities in connection with the murder of Kazem Radjavi, the brother of a Mujahideen leader, in a Geneva suburb in April 1990.

# Brussels ready to block aid for Klöckner mill

By Andrew Hill in Brussels and Ariane Genillard in Bonn

The European Commission is preparing to block subsidies from the city-state of Bremen to Klöckner-Werke's steel mill, a move which could plunge the region even deeper into recession.

Brussels has just received the German government's response to a request for more details about last November's sale of the steel mill. Sources yesterday described the reply as "absolutely unsatisfactory".

The Commission is likely to open a formal state aid inquiry within the next 10 days into the city-state's plan to inject DM200m (\$116.2m) of cash into the mill. It is then almost certain to outlaw the subsidy, which was aimed at maintaining the loss-making mill's annual crude steel production of 3m tonnes.

Private German steelmakers had expressed outrage at the November deal, under which Klöckner-Werke agreed to sell 75 per cent of the mill for a symbolic DM1 to a consortium led by the city-state. Only this week Mr Brian Moffat, British Steel chairman, warned that the rescue would make a mockery of the EU's call for capacity cuts and subsidy limits.

One source said: "It would be absurd to allow state aid here, when we have been actively pursuing cases against other companies."

The collapse of the deal would be a bitter blow for Bremen, which, after Saarland, is the state with the highest rate of unemployment in west Germany. The steel mill and the shipyard, which depends on it, are its biggest employers.

Klöckner would probably not suffer directly, although it would have to seek an alternative buyer. It could turn to Thyssen and Krupp-Hoesch, Germany's two largest steelmakers, and Usinor-Sacilor of France. Their offer, under which most of the plant would be closed, was rejected in November in favour of the bid by Hiberg, a state-owned holding company, the Bremer Vulkan shipyards, Hegemann, a company manufacturing shipping equipment, and the city's electricity utility.

# Inflation at 11-year high in Germany

West German annual inflation averaged 4.2 per cent in 1993, the highest rate since 1982, the federal statistics office said yesterday, Reuter reports from Bonn.

Announcing a slight upward revision in figures released provisionally last month, the Wiesbaden-based office said consumer prices rose 0.2 per cent in December from the previous month to give a year-on-year rate of 3.7 per cent.

The annual average rate of 4.2 per cent compared with 4 per cent in 1992. It was the highest inflation figure since 1982, when prices rose 5.3 per cent.

Although the final December figures were fractionally higher than the preliminary data, economists said inflation had peaked and would fall steadily throughout 1994.

Mr Gerhard Grebe, chief economist at Bank Julius Bär in Frankfurt, said he saw the figure falling to 2.7 per cent by the end of the year.

## French media aid package

The French government has announced an aid package for the print media in response to a crisis caused by the recession and outdated publishing practices, Reuter reports from Paris. Mr Nicolas Sarkozy, the government spokesman, gave no overall figure for the aid, which includes a previously announced subsidy of FFr200m (\$34m) to dailies with poor advertising revenue. But he said it would involve guaranteeing loans.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor, Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor Richard Lambert. ISSN: ISSN 1148-2753 Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

# Stockholm tries to bridge gap over Danish link

Environmental wrangles in cabinet are delaying one of Europe's biggest infrastructure projects, writes **Hugh Carnegy**

Sweden's centre-right government will today make a renewed attempt to break a deadlock that is holding up the start of work on building a bridge and tunnel link across the Oresund to Denmark – one of Europe's biggest infrastructure projects.

A wrangle over environmental objections to the link has caused some embarrassment to Mr Carl Bildt, the prime minister, destabilising his minority coalition and undercutting his enthusiastic commitment to tying Sweden closer to the European mainstream. It has also aroused irritation in Denmark which is keen to get on with the project.

Mr Bildt's conservative Moderate party, the Liberal and Christian Democrat coalition partners and the opposition Social Democrats are all backing the link, which was first agreed in a treaty signed by Stockholm and Copenhagen in 1991. It is seen as a vital parallel project to Sweden's application to join the European Union, which is also due to be decided this year.

But the Centre party, the fourth member of the governing coalition, has dug its heels in against the project on environmental grounds, and claims to have the support of almost half the population. Their concerns are that the main bridge section will impede salt water flows into the Baltic which are vital to the health of the already heavily polluted sea. They also argue that exhaust emissions on the bridge will break Danish and Swedish commitments made at the Rio environmental summit not to increase levels of such pollutants.

**'It will provide an integrated labour market in east Denmark and south Sweden, you can have commuter trains using the bridge'**

The 17km combined road and rail connection between Copenhagen and the southern Swedish city of Malmö has the strong support of Swedish industry and unions. Like the political parties, they see the bridge/tunnel – the first fixed link between Sweden and the European mainland – as a valuable boost to the economy.

The Swedish side particularly has already gone to painstaking lengths, including expensive redesigns of the bridge, to minimise the environmental impact. But Mr Bildt has so far failed to overcome the objections of the Centre party, whose leader, Mr Olof Johansson, is environment minister.

What Mr Bildt is struggling to achieve is a political compromise that allows the government to give the final green light to the Oresund link, without prompting the Centre party to quit the coalition. In his favour is the undisguised unwillingness of Mr Johansson and his colleagues to be forced into such a position.

Some formulation allowing the Centre party to dissent from customary unanimous cabinet decisions may provide a way out. But there was little sign yesterday that such a compromise was in sight, and Mr Johansson indicated that another postponement of a final decision was likely.

The joint Swedish-Danish consortium set up to build the link is due to invite construction tenders early this year. On the Danish side, work on some of the approach roads and site clearances has already begun. The total cost, including associated construction on the Danish and Swedish sides, is around \$2.5bn (£1.68bn) to be paid back in rail fees and vehicle tolls.

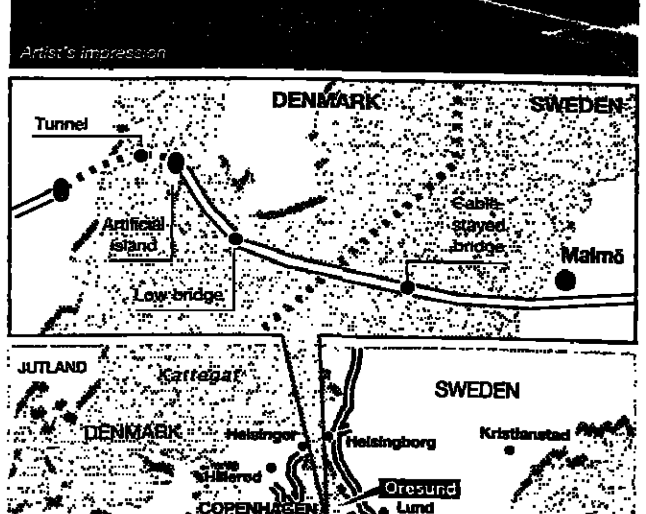
Supporters say the link will transform the Copenhagen and Malmö areas and will have beneficial effects for both nation's economies.

The combined Copenhagen-Malmö region has a population of 2.3m, making it the 20th largest urban concentration in Europe and the eighth largest in terms of purchasing power – giving much greater critical economic mass than the two can muster separately.

The Oresund link will cut travel times between the two city centres from a minimum 90 minutes at present to around 30 minutes. For Swedish industry particularly, the rail link will offer much faster transit times for freight that otherwise goes by ferry – halving the time it takes to move freight by rail from Malmö to Hamburg, for example.

"It will also provide an integrated labour market in eastern Denmark and southern Sweden. You can have commuter trains using the bridge," says Mr Lars Kritz of the Federation of Swedish Industries. "That must be good for industry and trade."

Bridge over troubled waters



# Peace dividend costs jobs, says ILO study

By Frances Williams in Geneva

Hopes of a "peace dividend" for jobs by converting defence industries to civilian manufacturing have proved depressingly wide of the mark, according to the International Labour Organisation.

In a report to its metal trades committee, now meeting in Geneva, the United Nations agency says the most striking part of the long-awaited peace dividend after the fall of communism has been massive job losses in the armaments industries on both sides of the old Iron Curtain.

The US, the world's biggest arms producer, has made redundant 400,000 mostly well-paid and skilled workers over the past three years. Roughly the same number have lost their jobs in the former Soviet Union. In both cases the number is expected to treble over the next three years, the ILO warns.

In France and Germany, employment in defence industries is set to shrink by up to a quarter. Smaller arms producers such as Italy, the Netherlands, Sweden and Slovakia have also registered big job losses. "Each direct job that is lost may lead to the loss of two or three indirect jobs in other sectors," the ILO report notes.

Far from finding equivalent jobs in the civilian industry, most of those made redundant share the fate of former steel and car workers in facing long-term unemployment, unstable jobs and reduced incomes.

"In the US, the major difficulty is that many of those affected are too skilled, too specialised, overpaid and too old (many between 40 and 60) to find new jobs," the report says.

This marks a painful contrast with estimates made before the Berlin Wall came down in November 1989 of net job gains from defence conversion. One UN study forecast a ratio of at least two jobs created for every one lost.

Converting arms manufacture to civilian production will mean "hardships and problems of adjustment" whatever the strategy adopted, the ILO says. However, most of the successes so far have had "a helping hand from governments".

US experience suggests the ingredients for success include far-sighted planning by management in co-operation with the workforce and public authorities, economic incentives to develop new products and retool factories, and retraining of management and workers.

Conversion assistance is expensive. The US will have to earmark some $20bn (£13.5bn) for this purpose over the next five years, the ILO says. In the former socialist countries, it argues, the key to successful conversion lies in privatisation, accompanied by greater incentives for workers and managers to produce for the civilian economy.

# Portugal's premier talks up role of the EMI

By David Marsh and Peter Wise in Lisbon

Mr Aníbal Cavaco Silva, the Portuguese prime minister, yesterday said he hoped the newly-formed European monetary institute would help persuade Germany to cut interest rates more quickly to boost European economic growth.

His comments are likely to increase German fears that the Frankfurt-based EMI could interfere with the statutory independence of the Bundesbank.

In remarks plainly directed above all at Germany, Mr Cavaco Silva criticised "national egoism" in economic policy. He said the EMI would require "a commitment for everyone to pursue a community monetary policy".

He added: "I have some expectations for the work of the EMI. Before, it was quite clear that monetary policy co-ordination was not strong. I hope from now on it will not just be a question of adapting to the decisions of the Bundesbank. The 12 members of the European Union – all of them – will have a say in monetary policy."

Decision-making power will remain formally in the hands of national central banks during stage two of the move to economic and monetary union, which began on January 1. However, Mr Cavaco Silva said the EMI, which had its first meeting on Tuesday, would have to play more than just an advisory role.

"Europe is more than just the Bundesbank," he said.

His remarks yesterday put Portugal firmly on the side of countries such as France, Italy, Spain and Belgium which want the EMI to play a more active role.

Portugal has been hard hit by the Europe-wide recession. Its economy declined by about half a percentage point last year but Mr Cavaco Silva said it was expected to grow by 1.5-2 percentage points this year.

Apart from pushing up the budget deficit to about 8.5 per cent of gross domestic product last year, the economic downturn has led to a sharp increase in unemployment, which stand at about 6 per cent against 4.5 per cent a year ago.

Mr Cavaco Silva also said Europe needed a single currency to accompany the internal market.

However, he admitted it was now unlikely that monetary union could take place before 1999, compared with the earliest date prescribed in the Maastricht treaty of 1997.

## Repeat threatened of previous violent protests

- Private schools get 13 per cent or FFr34.5bn (£3.96bn) of national education budget which totals FFr250bn for 1994
- Private schools educate 2.07m pupils, or 17 per cent of total of 12.2m French schoolchildren
- Private schooling is more important at the secondary level (20.7 per cent of total) than at the primary level (13.8 per cent of total)

# Balladur reignites education war

## David Buchan on French school finance reforms

France's historic tug-of-war between public and private education is about to be played out again in the streets of Paris, with a big protest planned for Sunday against the government's school finance reform.

The only thing that will keep the number of demonstrators below the minimum 100,000 forecast by the interior ministry would be a decision by the country's constitutional council today or tomorrow to annul the reform, in response to the Socialist challenge that it unconstitutionally favours private (largely Roman Catholic) schools over public ones.

By removing a 144-year-old limit on state funding of private school infrastructure late last year, Prime Minister Edouard Balladur has re-ignited his country's ancient *guerre scolaire*.

This has ended his period of calm cohabitation with President François Mitterrand who has taken up rhetorical cudgels in defence of state education, and also drawn more muted tactical criticism from his fellow Gaullist and presidential rival, Mr Jacques Chirac, and even some senior clerics such as the Archbishop of Lyon.

Mr Balladur seems to have underestimated two factors giving fresh sensitivity to French educational policy. One is the seemingly endless rise in unemployment, which has made parents more worried than ever about any reduction in the resources deployed to prepare their children for a job. The other is that the desire of some Moslem immigrants for their daughters to wear traditional "chador" scarves has seemed to many French to place their country's secular education system into question.

In his new year's attempt to balance his reform with promises of more money for public schools, Mr Balladur is now trying to defuse what in the past has provide a political minefield – with repeated violent clashes in 1968, 1984 and 1986 over school and university reform.

But he is unlikely to back-pedal entirely, even in the face of a flat Non from the constitutional court, given the pressure on him to redeem his coalition's election pledge to rationalise the remaining anomalies in French school finance.

The most distinctive feature of modern French education is the deal which the French state struck with the Roman Catholic church in 1959. This appeared to end their long war, which saw the state first triumph over the church in the French revolution, then readmit some church schools in the 1850s, only to "laicise" thoroughly education by the start of this century.

To enlist the church's help in educating the 1950s baby boom, however, the de Gaulle government agreed to pay *all* the salaries and operating costs of any church school which signed a contract with the state commiting them to a syllabus and examination system set by the government. Such "contract" Catholic schools must admit children of any religion. They can make reference to their religious philosophy, but must not impose it.

Buoyed by this injection of state money – which brings basic monthly fees down to FFr30 (£3.50) for a primary school in the rural Vendée and to FFr150 for an urban technical school – "contract" Catholic schools have blossomed. There are 9,500 of them, teaching some 2m, or 17 per cent, of the nation's children, and are particularly strong in the west, north and south-east.

They hardly exist in Alsace, which missed out on the late 19th century "laicisation" by being under German occupation and when it rejoined France in 1918 was allowed to keep its 1850s-style tolerance of religious education in public schools.

Left unsettled, though, has been the issue of who pays for the schools' bricks and mortar. The 1850 law of a conservative education minister, Comte Frédéric de Falloux – which the Balladur government has just amended – allowed local authorities to fund up to 10 per cent of regular private schools' infrastructure.

However, full public funding was permitted for work on private technical schools in 1919 and for private agricultural schools in 1984. The latter concession is politically awkward for Mr Michel Rocard, who is now the Socialist party leader but who was agriculture minister in 1984.

The Balladur government, and particularly Mr François Bayrou, the education minister and his UDF party which is especially attached to decentralisation, says the funding anomaly between private regular and specialist schools should be corrected and that local authorities should be able to use their money as they see fit. A government-commissioned report stated last month that half the country's private schools were in urgent need of repairs, whose cost it put in the range of FFr3.5bn-FFr5.3bn.

However, in a time of budget squeeze, the Socialist opposition says this money will only come at the expense of public schools. Mr Henri Emmanuelli, a former Socialist president of the National Assembly, conjures up the worst of French fears by saying it will all lead "to a British-style situation, with more and more delapidated public schools in a segregated, two-speed educational system".

# Brussels warns on EU entry talks

By Lionel Barber in Brussels

The European Commission yesterday hinted that it might not be possible to meet the March 1 deadline for wrapping up negotiations with all four countries seeking to join the European Union.

At a briefing in Brussels, an official left open the possibility of leaving behind one or more applicants. This would mean abandoning the "convoy" principle, whereby Sweden, Finland, Austria and Norway all conclude negotiations at the same time.

The March 1 deadline is viewed as crucial if the present European parliament is to have enough time to give a favourable opinion on membership before the June elections. A delay would mean waiting for a new parliament, thus jeopardising the target date for EU entry at the start of 1995.

A Brussels official suggested that the warning marked a shot across the bows to the candidate countries as all parties brace themselves for the last lap of negotiations on agriculture, regional policy, fisheries and budget contributions, by far the trickiest dossiers. "It is a question of who blinks first," said the official.

Sweden has made the most progress, with Norway lagging. The Oslo government opened talks two months later than its fellow candidates, but it is also sticking to a tough line on whaling, agriculture and fisheries.

Both Finland and Austria are somewhere in the middle. Austria still has problems with the treatment of transit traffic and secondary homes, and it shares Finland's deep reservations about Commission proposals to align farm prices with EU levels on entry into the Union.

Talks are now focusing on the level and duration of compensating income support for farmers, with the bill to be picked up by the applicant countries. This affects, in turn, how much the four rich applicants can put into the EU budget.

# IMF persuades French Africa to go for growth

## The CFA bloc's devaluation will ensure the adjustment needed to survive

By David Buchan in Paris and Leslie Crawford, Africa Correspondent

The 13 French-speaking countries of west and central Africa finally bit the bullet on Tuesday night and agreed to depreciate their common currency, the CFA franc, by 50 per cent against the French franc to pull their economies out of deep recession.

Described by an economist as the "most foretold and least well prepared devaluation in economic history", it came after two days of often acrimonious wrangling between African leaders and the International Monetary Fund, abetted by France, in Dakar, the Senegalese capital.

It is the first parity change since 1948 for the CFA (Communauté Financière Africaine) franc, which is now worth one French centime. The distant Comores Islands in the Indian Ocean have devalued their CFA franc by one third.

Mr Michel Camdessus, the IMF managing director who was in Dakar to press for devaluation, said in Paris yesterday that at the outset many of the African leaders thought they were being asked to make "a leap into the void without a parachute", but were subsequently convinced that devaluation would promote "a dash for growth", with the accompanying aid provided by the IMF, World Bank and France. The IMF chief expressed confidence in the CFA franc's new parity, whose change would produce the external adjustment necessary to the franc zone's revival.

France said it would continue to guarantee the convertibility of CFA francs which, along with fostering regional integration, is the aim of the franc zone. In a joint statement, President François Mitterrand and Prime Minister Edouard Balladur also said France "will not fail to show its solidarity with its [CFA] partners" by, for instance, forgiving FFr25bn worth of their debts to it.

The Balladur government denies it imposed devaluation on the CFA countries, acknowledging only that in its tougher financial attitude abroad as well as at home it had recently made clear to CFA countries that they could no longer expect France to top up their budgets, unless they reached agreements with the IMF. But this is a pro-forma distinction, since Paris knew well the IMF's strong preference for CFA devaluation.

The package of measures to support the devaluation includes:

- The IMF will provide aid worth $1.5bn-$1.7bn over the next three or four years, Mr Camdessus said. This would initially take the form of standby credits because, being quicker to negotiate, they would more rapidly unlock other credit possibilities and pave the way to possible debt rescheduling. But thereafter the 10 poorest CFA countries would be able to draw on the IMF's "enhanced structural adjustment facility" at a 0.5 per cent rate of interest repayable over 10 years.
- To soften the impact of higher prices for imported staples, particularly on the poorest, the IMF will approve subsidies on some basic goods like bread, vegetable oil, rice or even petrol out of the CFA countries' budget revenues which are expected to rise, Mr Camdessus said. The World Bank will step up its lending, particularly to education and health.
- For the 10 poorest CFA countries, France is to forgive all of the FFr6.6bn of bilateral aid debt which it did not cancel in 1989. Paris is also cancelling half, or FFr18.4bn, of the aid debt that the four relatively richer countries – Gabon, Cameroon, Congo and Ivory Coast – owe it. In addition, France is to set up a FFr300m "special development fund", to which it hopes the European Union and World Bank will contribute and with which Paris intends to help the urban poor in CFA countries.

**Balladur says France will forgive FFr25bn of CFA debts**

"We hope that other creditor governments in the Paris Club (which deals with the rescheduling of official debt) will give CFA countries the best terms," said a French official yesterday.

Clearly, France is willing to pay a price to keep the franc zone going. The cost to the Bank of France of converting CFA francs into French ones on demand is minimal, because the arrangement is backed by the requirement that CFA countries keep 65 per cent of their hard currency reserves with the French central bank. The Bank of France pays market rates on these deposits and charges market rates on any CFA borrowings. Nor is cancelling the debt of the 10 poorest countries a big sacrifice; it might never have been recovered.

But the much larger cancelled debt of the four richer countries might one day have been repaid. France's private sector will also pay a price. "The shock wave of the CFA devaluation for French investors could reach FFr10bn this year," complained the head of the Council of French Investors in Africa in a letter yesterday to Mr Balladur.

Yet such sacrifices are small beer compared to the 40 per cent drop in real per capita income suffered by the inhabitants of the franc zone since the mid-1980s. A World Bank report prepared for the Dakar meeting comments that "the only other region of the world experiencing an economic decline of comparable magnitude is the former Soviet Union".

While in 1970-85 output and exports grew faster and inflation was lower in the CFA zone than in the rest of Africa, the trends reversed dramatically thereafter. Internally, CFA governments continued to spend too much on their public sectors and civil servants, while externally the terms of their trade worsened with their currency tied to a French franc itself trying to hold fast to the D-Mark.

The World Bank and IMF have privately pointed to the "silent crisis" caused by the increasing over-valuation of the currency.

**Real incomes in the franc zone have fallen 40% since the mid-80s**

By the end of the decade, average government and manufacturing wages relative to average incomes, in Senegal, for example, were three to six times higher than in Indonesia or Ghana.

Last year, Mr Ishrait Husain, chief economist in the World Bank's Africa department published a study in which he compared the economic performance of the CFA countries with 14 countries which have pursued structural adjustment in the 1980s.

Between 1986 and 1991, the appreciation of the CFA franc and subsequent losses in competitiveness cut the output of the CFA countries by an average of 0.2 per cent a year. But GDP in the other 14 African countries which the Bank classifies as "adjusters" rose by an average 4.5 per cent a year over the same period.

The losses were not evenly shared, however. The gainers were civil servants and students whose salaries and grants consumed an increasing majority of CFA governments' dwindling budgets. The losers were the rural masses whose incomes from agricultural production dwindled while access to primary education and health remained low even by African standards.

The World Bank and IMF say the devaluation was needed to sharpen the incentives for exporters and raise the incomes of poor farmers. But, in the short-term, the immediate sharp rise in import prices will aggravate rising labour unrest among civil servants and urban dwellers in West and Central African states, many of whom already have trouble meeting wage bills because of falling tax revenues.

Cameroon's civil service has already been paralysed for a month by a strike over a 50 per cent wage cut announced last November.

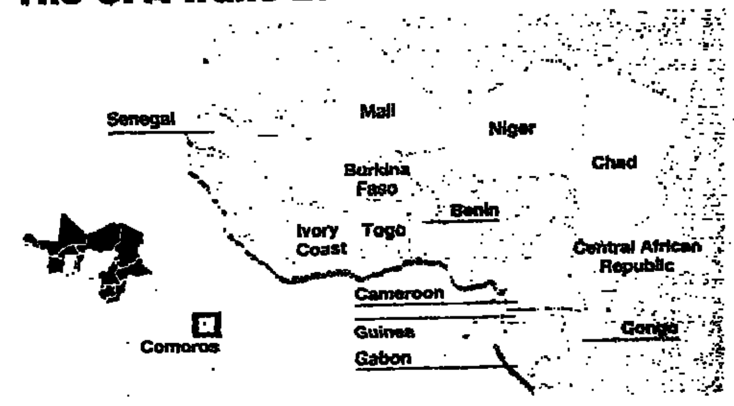
Some 55,000 secondary school teachers have been on strike since the end of November and many state hospitals are closed or maintaining only emergency cover. Magistrates went on strike at the beginning of the year.

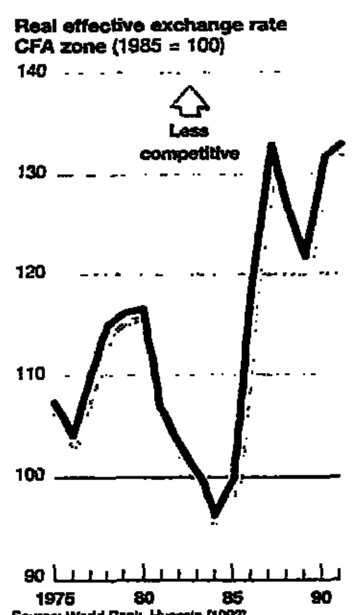
Further north in landlocked Niger, the government closed Niamey university last Friday after students hurling stones and petrol bombs fought riot police firing tear gas.

The students' grants have not been paid for eight months. In January 1993, the university cancelled teaching for the academic year because of lack of funds.

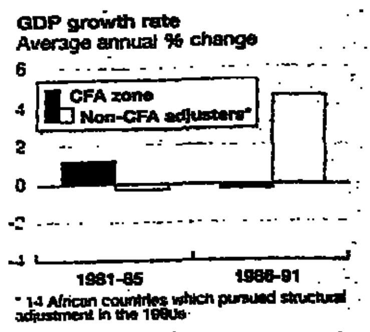
The contrast with the tendency for neighbouring anglophone countries to devalue frequently has been felt in both exports and imports. Cheap imports from Nigeria have flooded into the CFA zone, while Ghanaian pineapples have edged those of the Ivory Coast out of the European market.

**The CFA franc zone**

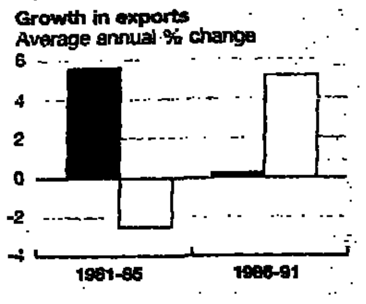



Source: World Bank, Hussain (1993)




* 14 African countries which pursued structural adjustment in the 1980s




"Devaluation will bring instantaneous benefits to the Ivory Coast," says Mr Cheikh Ibrahim Fall of the African Development Bank in Abidjan. "Exports revenues will increase, farmers' incomes will rise and the government will have more cash to pay its domestic debt...But I am not convinced of the long term benefits, if devaluation is not accompanied by other reforms."

Mr Camdessus sees signs of a new seriousness to reform and to integrate the CFA zone, particularly in the African leaders' pledge in Dakar to meet every six months to review their imminent IMF agreements. "The CFA zone has been just a monetary arrangement, now we may see some genuine economic convergence within it."

# Beirut share offer 142% subscribed

By Mark Nicholson in Damascus

The share offering to found Solidere, the company being created to rebuild central Beirut, was 142 per cent subscribed, the company said yesterday.

Tens of thousands of Lebanese and Arab investors bid $926m (£629m) for the offering, designed to raise $650m.

Some $600m was raised from Lebanese citizens, who will be given preference in the final allocation of shares.

Until a secondary market in Solidere shares opens (due next month), Lebanese citizens will hold more than 94 per cent of the company's founding equity.

Mr Nasser al-Shamaa, general secretary of Solidere's founding board, said the response a "clear statement of faith by the Lebanese in the future of their country and its capital". The Solidere launch "may be the largest public share offering in the Middle East".

The 10-week offer which closed on Monday represented the sale of 35 per cent of Solidere's equity. The remainder, worth around $1.7bn, were shares distributed to property owners in downtown Beirut in exchange for land rights.

The company said tender documents for the first contracts to rebuild Beirut's former banking and commercial centre had largely been prepared; the first bids will be invited within weeks.

Solidere plans to redevelop 1.6m square metres of land in central Beirut over the next six years. Its board hopes to have the nucleus of a working commercial centre open within two years.

Beirut is enjoying a building boom, but little has been done to tackle the city-centre devastation left by 17 years of civil war.

The response from Lebanese investors will be particularly pleasing to Mr Rafik Hariri, the billionaire businessman-turned-prime minister, who designed Solidere expressly to attract private Lebanese capital back into the country.

Company officials said they had received about 10,000 applications from Lebanese investors in Beirut on Monday alone, and the response to the Solidere offering is the biggest single injection yet of private capital into Lebanon's rebuilding project.

The final allocation of shares is expected to take up to 10 days to complete, with priority going to Lebanese property owners in Beirut, Lebanese nationals, government agencies.

Hariri: pleased

Lebanese expatriates and other Arab investors in that order. Some $276m will therefore be returned to Arab investors, mostly in the Gulf states.

Investors in Saudi Arabia subscribed for more than $200m-worth of shares alone, according to bankers in Riyadh, who said the shares were likely to command a premium over their $100 issue price when secondary trading begins.

Lebanese officials hope the market in Solidere shares will provide the basis for reviving the stock market in Beirut, which closed in 1983 during the civil war.

Mr Hariri himself subscribed for $125m-worth of shares – some 7 per cent of Solidere's overall capital and just below the statutory maximum holding of 10 per cent. He has said he will donate all dividends from the shares to his charitable foundation.

However, the offering has met strong opposition from militant Islamic groups in Lebanon. In December, Sheikh Mohammed Hussein Fadlallah, spiritual leader of the pro-Iranian Hizbollah, denounced the Solidere launch as "religiously forbidden" since property owners in central Beirut had been "forced" to relinquish their rights to the company.

Some landowners in Beirut have also complained that a proposed court to test the legality of Solidere's plans was never actually set up.

A committee has been formed to try to amend Solidere's founding regulations.

Former premier Toshiki Kaifu is refusing to toe the party line by opposing reforms

# The LDP's stand-in refuses to lie down

By Robert Thomson in Tokyo

The fondest memories of Mr Toshiki Kaifu, the former Japanese prime minister, are hanging in his office: a photograph of a shared joke with then President George Bush; an apparently attentive Prime Minister Margaret Thatcher taking in the thoughts of Toshiki; and an audience in Beijing's Great Hall of the People.

For a man dubbed the "relief pitcher" by his colleagues in the Liberal Democratic party, who saw him as a very temporary stand-in from a weak faction, Mr Kaifu's influence has lingered in the Japanese parliament, soon to reconsider electoral reform bills that echo proposals he made in 1991.

Mr Kaifu, 63, was also expected to disappear quickly into the relative obscurity from which he had been plucked when the LDP needed a "clean politician" to lead the party after a spate of scandals and a miserable election in 1989. Instead, he remains in the spotlight, having crossed the party line by refusing to vote against the reform bills, which he said "must be passed this month or they may never be passed".

After apologising repeatedly for returning late to his office, Mr Kaifu explained that he had come from a meeting of LDP faction heads and former prime ministers which agreed that the party should restart debate on electoral reforms. Since falling into opposition last year, the LDP has repeatedly refused to discuss procedure with government, customary in Japanese consensus politics, and boycotted a sitting to extend the present session of parliament.

"I told my colleagues that this sort of behaviour is not good for our public image. We have to get involved in the debate. We should be setting the agenda, but at present, we are always on the defensive and it does not look good," Mr Kaifu said.

Defections from the LDP over the past year have changed the character of the party. Many reformers with whom Mr Kaifu feels most comfortable have joined new parties, leaving a conservative core yet to appreciate the depth of change in Japanese politics and determined to preserve a system of factional patronage that is prone to corruption.

The party appointed a reformer, Mr Yohei Kono, as leader in an attempt to improve its image, but faction leaders have undermined his authority. Mr Kono is forced to give embarrassingly vague answers in public because his script is jointly written by about four powerful figures in the backroom who are often unable to agree on the wording.

**'I guess they regard me as a bit of a nuisance'**

Mr Kaifu hints that the introduction of reforms and another general election could set the scene for him to leave the LDP, of which he is proud for its "commitment to free markets and democracy". He foresees continuing instability that will test old loyalties and provide new opportunities for a proven leader.

His own sudden exit from the leadership, which came when he ignored the advice of the backroom and pushed ahead with reform, contributed to public contempt for the LDP. Unless the party is more open, he says, it will face continuing unpopularity and defections of MPs to newer parties.

"I understand how the influence of the backroom works. My administration was brought down that way. They moved against me. I understand the pressures on Mr Kono," he said. "I keep telling people to be more open, but I guess that they regard me as a bit of nuisance."

His influence is limited by his membership of the smallest faction, though his good scores in opinion polls and the general recognition that he tried to reform Japanese politics mean that younger LDP members like to associate with him, hopeful that his prestige will rub off on them.

Before a general election last July, he chaired a 184-member political reform committee, which LDP parliamentarians rushed to join, keen to convince voters that they, too, were "reformers". However, the party lost office for the first time in 38 years and a seven-party coalition government was formed by Mr Morihiro Hosokawa.

Mr Kaifu suggests that Japanese prime ministerial style is changing, as his term as leader showed the public preference for straight answers, rather than the bewildering sentence structures employed by his predecessors. He has an affinity with Mr Hosokawa, who also scores well in opinion polls and is a straight talker, but has a fragile power base.

"There are serious problems in the coalition government, but they haven't changed policies. The socialists (Social Democratic party) have always had a strange foreign policy. They said North Korea was good and South Korea was wrong. But the foreign policy hasn't been altered since the coalition arrived. It's still the LDP policy."

Kaifu: public prefers straight answers — Associated Press

# Japanese unions demand 6% rises

By Michiyo Nakamoto in Tokyo

Japan's trade unions yesterday demanded pay rises of 5-6 per cent, saying they would stimulate growth and pull Japan out of its recession.

The call by Rengo, the Japanese trade union confederation, contrasts with a proposed pay freeze by Nikkeiren, the employers' federation.

Last year wage increases averaged 3.89 per cent.

Mr Akira Yamagishi, Rengo chairman, criticised the employers' proposal at an executive committee meeting in Tokyo yesterday. He said it would further depress consumption.

Mr Yamagishi blamed management for bringing about the asset inflation which artificially boosted the Japanese economy. The Nikkeiren's proposal showed a lack of responsibility on the part of employers and reflected an extremely anti-social attitude that was difficult to accept, he said.

Nikkeiren yesterday published a report calling for a cap on wages in order to preserve jobs which, it said, should be the top priority. Japanese wage levels were among the highest in the world and if wages rose even further, Japan's international competitiveness would decline, leading to an acceleration of the "hollowing out" of Japanese industry, the report said.

Mr Yamagishi, however, said Japanese companies had sufficient internal revenues to meet wage increases of 5-6 per cent. According to Rengo, Japan's top 50 corporations have internal revenues of Y12,000bn (£71.5bn).

Rengo also called for an emergency declaration by management and labour to tackle the deteriorating employment environment. It said more confrontation could be expected between labour and management.

# Investment for Vietnam

By Victor Mallet in Bangkok

Vietnam approved foreign investment projects worth $2.86bn (£1.9bn) last year, a rise of 47 per cent over 1992, the government media said yesterday.

The ruling Communist party has been liberalising the economy for the past five years, and the country has attracted numerous foreign companies from Asia and further afield.

Investment approvals amount to $7.5bn since 1987; Taiwan, prominent in the clothing industry, is the biggest investor with $1.5bn of projects approved so far.

Doing business in Vietnam has proved difficult, however, and the total value of projects actually implemented is only about $2bn, with oil exploration accounting for much of the money spent.

Investors complain about bureaucracy, corruption and the poor state of Vietnam's transport and communications.

They are also concerned about the inadequacy of the legal system, although the government is attempting to alleviate this problem by enacting the sort of new legislation needed to regulate a market economy.

The national assembly recently passed laws on bankruptcy, the establishment of economic tribunals to adjudicate in commercial disputes, and for environmental protection.

The liberalisation of the economy has created strains among party leaders, with some calling for faster reforms and others lamenting the greed and corruption rampant in the new Vietnam.

A special party conference next week is expected to discuss economic reform and the party's future.

# Push to save the Aral Sea

The leaders of five nations have agreed on steps to prevent the Aral Sea in central Asia, one of the world's worst ecological disasters, from shrinking further, Reuter reports from Tashkent.

Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan set up a joint fund and permanent committee to try to save the sea and improve the health of people around it, officials said yesterday after meeting in the Uzbek city of Nukus.

The Aral was once the world's fourth-largest freshwater lake, but irrigation has sapped rivers and reduced it to a quarter of its size. As the sea shrivels, it leaves behind a sandy desert mixed with fertiliser toxins. Storms whip up toxic dust and deposit it as far afield as Pakistan, scientists say.

The health of people living in the sea's basin has deteriorated sharply. Some scientists say 80 per cent of the women and children in the area suffer from anaemia. Infant mortality rates have soared and life expectancy has plunged.

Kazakhstan, Uzbekistan, Turkmenistan and Kyrgyzstan, all former Soviet republics, pledged to pay 1 per cent of their 1994 budgets into the fund, said an official.

Because of its severe financial crisis, Tajikistan was excused from contributing to the fund, to be based in the Kazakh town of Kyzyl-Orda and chaired by Kazakhstan's President Nursultan Nazarbayev, an official said.

Kyrgyz President Askar Akayev expressed willingness to accept a limit on the water the sea consumes from the upper reaches of central Asia's two great rivers, the Amu Darya and Syr Darya, which feed the Aral Sea.

# S Korean car challenge to start in US

By Kevin Done, Motor Industry Correspondent, in Detroit

Kia Motors, the second-placed South Korean carmaker, is to begin selling cars in the US next month in the first step towards building a coast-to-coast US franchise by the end of 1995.

South Korean carmakers are rapidly expanding domestic production capacity and developing a growing presence in export markets, particularly in Europe and North America.

Kia's production capacity has risen from 60,000 units a year 10 years ago to 650,000. This is due to rise to 1.25m units by 1997, supported by a $7.75bn (£5.23bn) investment programme in 1993-1997.

The company, in which Ford of the US and Mazda of Japan hold stakes of 10 and 8 per cent respectively, has previously supplied small cars to Ford (formerly the Festiva and now the Aspire) for distribution under the Ford badge in the US.

It is now setting out to build its own independent franchise in North America, however, with the launch next month of its Kia Sephia small family car.

It plans to add a small four-wheel drive sports/utility vehicle, the Kia Sportage, in the autumn. This will be followed by the introduction of an executive saloon range in 1996.

Kia will be the second Korean carmaker to establish its own franchise in the US, one of the most competitive car markets in the world.

It is following Hyundai, which launched its cars in North America in 1986 and enjoyed wildly fluctuating fortunes, with sales rising to 264,000 units by 1988 but falling to only 109,000 vehicles in the US in each of the last two years.

Mr Greg Warner, executive vice-president of Kia Motors America and former chief operating officer of Hyundai Motor America, said that Kia was aiming to carve out a presence in the US by selling on low prices.

It was aiming directly at taking market share from the small cars sold by Japanese producers in the US, such as the Toyota Corolla, Mazda Protege and the Honda Civic.

Japanese carmakers have been forced to raise prices more rapidly than domestic US producers because of the appreciation of the yen, and Kia believes that it can establish a new niche at the bottom of the market.

The Sephia is being launched at a base price of $8,495.

Mr Warner said that Kia was determined to be a "disruptive" presence in the US market.

Kia will be launched first in Oregon next month. In the first few months the Korean carmaker will concentrate on building a dealer presence in the 11 western states of the continental US.

# EU, US agree on aluminium

By Nancy Dunne in Washington

The US and EU this week agreed to take a common approach in dealing with the flood of Russian aluminium exports, which has depressed prices and put thousands of workers out of work.

Mr Mickey Kantor, the US trade representative, said the crisis in the aluminium industry was discussed "at the highest levels" during President Clinton's stop in Brussels on Monday, and it would also be broached with President Yeltsin, when Mr Clinton arrived in Russia.

He said aluminium prices had "dropped like a rock" from $1 a pound to about 47 cents a pound. He acknowledged that a voluntary restraint agreement was "certainly one instrument we would consider".

Trade experts say President Clinton urged Europeans to open markets to east European products, while doing little to open US markets.

Mr Kantor met Sir Leon Britain, EC trade minister, and the two also agreed to push Tokyo towards improving its market access offer in the Uruguay Round.

## John Barham on changing fortunes of a Paraguay frontier town

# Free-trade threat to a real market

So deep runs the despondency among the merchants of Ciudad del Este, a Paraguayan town close to the frontiers with Brazil and Argentina, that they are hoping for deliverance at the hands of Argentinian tourists.

Fortunes were once made in Ciudad del Este by selling vast quantities of duty-free goods to Brazilians. These days, though, Brazilians have little money to spend. At the same time, competition for their business is keener than ever.

Traders are now hoping that some of the hundreds of thousands of Argentinian tourists expected to take their holidays in southern Brazil over the coming three months will drop by Ciudad del Este on their way home.

Desperate traders hope they could raise their sales, if only by about 1 per cent, should 100,000 Argentinians visit Ciudad del Este this summer.

The duty-free business turns over surprisingly large amounts of money. Mr Guillermo Campuzano, the mayor, claims Ciudad del Este will do $5bn-$7bn worth of business this year, although shopkeepers regard that as too optimistic. The trade is one of Paraguay's most important sources of revenue and creator of jobs.


Busy, chaotic and filthy, Ciudad del Este only comes alive when the first shops open and streetsellers begin unpacking their wares ready for the first busload of shoppers.

Orange plastic sheeting stretched across the pavements softens the harsh sunlight. Makeshift stalls offer an infinity of goods: women's underwear, toys, fishing rods, sunglasses, batteries, tool sets. Hawkers peddle anything from Chinese-made battery-powered shavers to perfume of doubtful provenance.

The shops and shopping centres – owned mainly by Arab and Chinese traders – sell American cigarettes and trainers, Japanese video cameras, Persian carpets, English china, Scotch whisky, and Swiss Army knives.

Ciudad del Este and the nearby Brazilian city of Foz do Iguaçu have become twin cities. Buses shuttle between them every five or ten minutes. Many of Ciudad del Este's wealthier merchants live in Foz.

Everything in Ciudad del Este is much cheaper than in Argentina or Brazil because Paraguay has low taxes and import duties and because smuggling and tax evasion are rife.

Traders depend on Brazilians for 95 per cent of their sales. Specialist Brazilian magazines list goods, prices and the shops where they are available. Travel agents sell "shopping packages". Charter buses travel in convoys on the long return journey to avoid ambushes by highway robbers.

Most of the shoppers are small-time Brazilian smugglers know as "ants". One woman said "I only buy cheap junk. You know toys, radios, things like that."

But the ants' clients are getting poorer and poorer as Brazil's economic problems deepen. Mr Hussein Teiyen, the Lebanese-born president of the chamber of commerce, says sales have halved to $10m-$15m per day since 1990. "There are more sellers than buyers," he says. "There are 50,000 people in the city selling. But there are not 50,000 people coming here to buy."

Furthermore, Paraguay's rudimentary economy is in the throes of free market restructuring. The unemployed drift to Ciudad del Este in search of either a job or, more frequently, a living of sorts as a street-seller.

Another problem is a crackdown on tax evasion by the new government of President Juan Carlos Wasmosy. This has already led to the replacement of 80 per cent of Ciudad del Este's customs officers.

Under General Alfredo Stroessner, who ruled Paraguay for 35 years, corruption and contraband were an integral part of the political system. But Mr Campuzano admits that "a culture of 35 years, where the abnormal was normal, means it is very difficult to change mentality in a few years".

The prospect of advancing hordes of Argentine shoppers, made wealthy by rapid growth and an over-valued currency, is electrifying Ciudad del Este. Merchants say Argentinians are both wealthier and more discriminating shoppers than Brazilians, preferring higher-priced wares such as perfumes and silk scarves.

Trade liberalisation is probably Ciudad del Este's most serious long-term threat. Mercosur, the planned South American common market linking Argentina, Brazil, Paraguay and Uruguay is meant to come into force in 1995 and will require members to levy a common external tariff and remove internal trade barriers.

Traders say trade liberalisation in Argentina and Brazil has already forced them to cut margins. Ciudad del Este is such an important revenue source that Paraguay is thinking of making the city a free trade zone after 1995.

It may not take much to wreck Ciudad del Este, as can be seen by nipping into Argentina. Traders in the nearby town of Puerto Iguazú, a smaller rival of Ciudad del Este, were ruined by the strong exchange rate introduced by the government of President Carlos Menem. The hordes of shoppers have gone, the hotels lie empty and shops are boarded up.

# Etra joins top rival

Etra, one of the four consortia racing to meet Saturday's pre-qualification deadline for bids to run Italy's second mobile telecommunications network, has made a surprise decision to join forces with a leading rival, reports Haig Simonian from Milan.

The Etra group, predominantly comprising subsidiaries of the state-owned Eni energy and chemicals holding company, is merging with Unitel, a rival made up of Fiat, Fininvest and Vodafone of the UK.

The move comes amid hectic last-minute preparations for the January 15 deadline. The list of companies deemed to have met the qualification criteria should be released by the end of January, and the winning candidate is expected to be announced by the end of April.

Italy's is one of Europe's fastest-growing mobile telephone markets, with more than 1.1m subscribers to the existing network, run by the state-controlled Sip telecommunications monopoly.

Mobile telecommunications in Italy have caught on fast since being inaugurated in 1985, and the market is now the third biggest in Europe after the UK and Germany.

# Acid plant for Amoco

Amoco Chemicals of the US, one of the world's largest petrochemicals manufacturers, is to build a M$1.2bn (£307m) plant in Malaysia to produce purified terephthalic acid, a basic ingredient for making polyester, reports Kieran Cooke from Kuala Lumpur.

The plant, to be built in the state of Pahang on the east coast of peninsular Malaysia, will have an initial production capacity of 500,000 tonnes of PTA.

The Malaysian government has been encouraging investors to move away from areas around Kuala Lumpur and the island of Penang off the west coast and go to parts of the country where there are plentiful supplies of workers.

The state of Pahang has already established itself as a centre for Malaysia's fast expanding petrochemicals industry.

Amoco has been investing heavily in the east Asia region and already has manufacturing facilities in Taiwan, South Korea, Japan and China.

As well as its facility in Malaysia - due to be completed by the end of 1995 - Amoco is also considering new ventures in Singapore and Indonesia.

# European drugs market stagnant

By Paul Abrahams

Europe's drugs market continued to stagnate during the first 10 months of last year, following healthcare reforms in Italy and Germany.

The value of the seven largest markets fell, in dollar terms, from $43bn (£28.8bn) during the 10 months to October 1992, to only $37.9bn for the equivalent period last year. Net of exchange rates, the seven markets registered no growth, according to figures compiled by IMS International, the specialist market research company.

Germany remained the market most severely hit. Pharmacy drugs sales fell 10 per cent at constant exchange rates, down from $12.25bn to $10.4bn following the Seehofer reforms introduced in January last year. The Italian market also fell as sales dropped from $9.33bn to $7bn (down 3 per cent in lira terms).

The British, Spanish and Dutch markets continued to demonstrate double-digit growth in local currencies. Sales in the UK fell from $4.6bn to $4.2bn in dollar terms, but increased 10 per cent in sterling. Spanish sales also fell in dollar terms, down from $4.1bn to $3.7bn, but rose 11 per cent in local currency terms. The Dutch market increased from $1.26bn to $1.38bn, a rise of 11 per cent in local currency.

The French and Belgian markets continued to grow, though more slowly than other markets. Pharmacy sales in France dropped from $10.1bn to $9.9bn, but increased 6 per cent in franc terms. The Belgian market was static at $1.2bn, but rose in local currencies by 5 per cent.

Some important therapeutic areas registered zero or negative growth. Sales of cardiovascular drugs dropped from $9.7bn to $8.4bn, a decline of 3 per cent in local currencies. This was mostly because of a decline in prescribing patented ace-inhibitors and cholesterol-lowering drugs in Germany.

Sales of alimentary and metabolism treatments – mostly H2-antagonists for ulcers – were static in local currency terms, but fell from $7.3bn to $6.4bn. Musculo-skeletal drugs – mostly anti-arthritic compounds – registered a 5 per cent decline in local currencies, down from $2.6bn to $2bn. Blood agents also recorded a fall, down 3 per cent from $2bn to $1.7bn.

No therapeutic area registered double-digit growth. Central nervous system treatments increased sales by only 2 per cent, while respiratory drugs – mostly for asthma – were up only 3 per cent. The fastest growing sector was anti-infectives – antibiotics and anti-virals – up 5 per cent in local currencies.

## George Graham on White House fears of an erosion of credibility

# Democrats join come-clean calls

While President Bill Clinton has been quaffing Pilsner with Czech President Vaclav Havel in Europe, controversy over his investments in Arkansas in the 1980s has continued to ferment, threatening to damage his credit with the US public.

The controversy is over whether a bankrupt Arkansas savings and loan organisation used its funds to prop up the Clintons' investments in an Ozark mountain property venture known as Whitewater or to pay off Mr Clinton's campaign debts from his 1984 race for the state governorship.

Mr and Mrs Clinton made the $68,900 investment in 1978 in partnership with Mr James McDougal, owner of Madison Guaranty, an Arkansas savings and loan. The Clintons say they lost all their money.

Republican critics want an investigation of whether Mr Clinton as governor intervened to delay the shutdown of Madison, which failed in 1989 at a cost to taxpayers of around $50m. They also want to examine suggestions that Madison money was improperly channelled to Whitewater and to Mr Clinton's 1984 campaign fund.

Mr McDougal denies that the Clintons benefited in any way from his handling of Madison, and notes that he was acquitted in 1990 of fraud charges brought by a Republican-appointed prosecutor.

Adding to interest in the case, the Clintons' Whitewater files were handled by Mr Vincent Foster, the deputy White House counsel who committed suicide last year.

Despite the intense Republican pressure, neither the Whitewater controversy nor allegations last month by two Arkansas state troopers about Mr Clinton's sex life as governor appear to have damaged his popularity.

A Washington Post-ABC poll published yesterday showed that 59 per cent of those questioned approved of the job Mr Clinton is doing as president, with 36 per cent disapproving – a rather better rating than the same survey's finding in December, before both sets of allegations boiled over.

The Clintons: he says not a single soul has alleged any wrong-doing

Another poll published by USA Today and CNN showed Mr Clinton's approval rating holding steady at 54 per cent, and 72 per cent said Whitewater had had no effect on their opinion.

Nevertheless, White House advisers fear a steady erosion of Mr Clinton's credibility, with both polls showing a decline in the number of people believing in his honesty and integrity.

The White House strategy for dealing with the Whitewater charges, which were also raised during the 1992 presidential election campaign, had been to stonewall. As Mr Clinton put it: "I didn't do anything wrong. I made an investment and lost money. I then spent more money to document that we'd lost money. All the federal investigators in the world that have looked into this, not a single soul has alleged that I've done anything wrong."

The White House and attorney general Janet Reno have tried to deflect calls for the appointment of a special counsel to investigate the matter, arguing that anyone she named would be viewed as no more independent from her than the career justice department official now in charge of the investigation. But the move has become inevitable after nine Democratic senators joined a chorus of Republicans in urging the president to ask for a special counsel.

Mr Clinton said in a television interview in Prague that he had given all the information he had to the Justice Department, but "then people said 'Well, that's not enough'... So I think we have to evaluate that and see where we are."

White House officials are understood to be urging Mr Clinton to make public all the documents he has handed over to the justice department and are also recommending that he ask Ms Reno to appoint an independent counsel. Because they were the object of a subpoena, the documents are currently secret.

Ms Reno would have to name the counsel herself, since the law passed in the wake of the Watergate scandal 20 years ago providing for a special counsel to be named by a judicial panel lapsed last year.

Whatever Mr Clinton does, he can scarcely win. Keeping the Whitewater documents sealed fuels his political enemies and feeds speculation that he might have something to hide. Publishing them will just create a flurry of further news reports.

But with senior members of his own party such as Senators Pat Moynihan and Bill Bradley urging him to ask for a special counsel, Mr Clinton can no longer complain that the furore is just partisan politics – an argument that has carried less weight all along because the Republican attack has been led by the eminently moderate Congressman Jim Leach of Iowa, rather than the party's more rabid tub-thumpers.

# President orders Chiapas ceasefire

By Damian Fraser at San Cristóbal de las Casas

President Carlos Salinas of Mexico yesterday ordered an immediate unilateral ceasefire in the conflict areas in the southern state of Chiapas.

The suspension of military action came after the army had claimed to have regained control of the former rebel strongholds. Mr Salinas offered an amnesty to rebels who had acted under duress or from desperation, and who now accept peace.

The rebellion in Chiapas by the Zapatista Army of National Liberation, which began on January 1, has already cost more than 100 lives. On Monday, it led to a re-shuffle of the national cabinet after the hard-line interior minister, Mr Patrocinio González, was forced to resign.

In a televised speech to the nation, the president said the army would only respond if attacked. He hoped the decision would be "the first step to save lives and find new ways of conciliation". He indicated that the government would respond to the social demands of the local population.

The defence ministry said civil authorities had regained control of the towns which had been seized by rebels. The army yesterday opened roads to the conflict areas which had been sealed.

# Killing dents hopes of left in Brazil

By Angus Foster in São Paulo

Mr Luiz Inácio Lula da Silva, the left-wing politician who leads the opinion polls for Brazil's presidential election, due in November, is facing his first test in what threatens to be a dirty campaign, following the death last week of a São Paulo union leader.

Mr Osvaldo Cruz Júnior was shot four times in the back by a colleague in what seemed to be a personal argument about union cuts planned by Mr Cruz. But right-wing politicians and Brazil's media, which is largely controlled by figures of the centre and the right, have alleged a political motive for the killing and are using it to attack Mr da Silva, known popularly as Lula.

The allegations stem from criticisms by Mr Cruz in November last of Brazil's largest union grouping, the CUT, which is the main backer of Lula's Workers Party (PT).

Mr Cruz had claimed that CUT unions gave financial and other support to Lula's 1989 presidential campaign and to PT candidates in local elections in 1992. At the time, such support was illegal, but widely practised. Mr Cruz provided no proof and his allegations were strongly denied by the PT.

Lula's opponents alleged Mr Cruz was killed to stop him making more damaging revelations about links between the CUT and the PT. TV Globo, the country's most popular television network, has changed its policy of ignoring Lula – despite his strong lead in the polls – and has focused on the case in detail his week.

The right-wing Senator Espiridião Amin, from the southern state of Santa Catarina, has used the controversy to call again for a special Congressional inquiry into the CUT and its funding. Such a probe, blocked because of its political sensitivity, now looks likely to go ahead, possibly this week.

Mr Amin, like the mayor of São Paulo, Mr Paulo Maluf, is a member of the Progress and Reform Party. The mayor, with 12 per cent in the presidential polls, is the closest rival to Lula, who had about 30 per cent just before Christmas.

An inquiry could be embarrassing for Lula and the PT. It is expected to last six months and would coincide with the official start of the presidential campaign in June. An investigation could also end the PT's so-called "monoply of morality", which it has enjoyed since corruption allegations started to taint other Brazilian political parties last year.

# US producer prices fall again

By Michael Prowse in Washington

A sharp fall in energy costs – reflecting lower world oil prices – led to a decline in US producer prices for finished goods last month, the third fall in the past six months, the Commerce Department reported yesterday.

The "core" producer price index, which excludes the volatile components of food and energy, rose 0.2 per cent between November and December, indicating that underlying inflationary pressures remain moderate at the wholesale level.

For 1993 as a whole, producer prices rose 0.2 per cent, against 1.6 per cent in 1992. Core producer prices rose 0.4 per cent last year, the smallest increase since the index was first calculated in 1974.

The index for "intermediate" goods, which gives advance warning of likely trends in prices for finished goods, was also subdued, falling 0.2 per cent last month and rising by 1 per cent during 1993.

Most analysts expect inflationary pressures to remain modest this year. Merrill Lynch, the New York investment house, yesterday predicted producer prices would rise by about 1 per cent this year.

However J.P. Morgan, the New York bank, struck a cautious note, warning that "idle capacity is close to levels associated with rising inflation in the past."

# Chaos uncovered at Argentinian ministry

By John Barham in Buenos Aires

An investigation by government auditors has uncovered cases of gross maladministration and possible corruption at Argentina's Health and Social Action Ministry.

The Auditor General's office has found that some 40-50 per cent of the ministry's $957.3m (£651m) 1993 budget was not spent. Some 2,000 authorisations for cash payments are missing.

More than 80 per cent of the budget for the elderly had not been spent. Mr Alberto Mazza, health and social action minister, rejected the findings, saying they only covered the January-October period.

The auditor's investigation, leaked to the media yesterday, coincides with demands that the government improve its chaotic social policies at a time when unemployment and social tension are rising as a result of its economic reforms.

The government's social services budget rose 4 per cent this year to $25.63bn, but execution of spending programmes is widely agreed to be disorganised and wasteful.

Mr Domingo Cavallo, the powerful economy minister, now seems intent on using disarray at the Health and Social Action Ministry to extend his control over social policy. As local governments now carried out most social spending, he would set up a "system of punishment and rewards. Those working well would be given more federal resources.

NEWS: UK

# BP to shut giant Welsh ethylene plant

By Daniel Green and Roland Adburgham

BP is to shut its loss-making ethylene plant at Baglan Bay, west Glamorgan, Wales, with the loss of 600 jobs. The cost will be included in an exceptional charge of £200m in the group's fourth quarter results.

BP has lost "tens of millions of pounds" in ethylene manufacture at Baglan Bay in each of the last two years. It cut output by almost half last summer but that was not sufficient, said Mr Stephen Pettit, chief executive of BP's petrochemicals division.

Mr Bryan Sanderson, chief executive of BP Chemicals, said the closure was forced by overcapacity of the product and the European recession.

Also to close are operations treating gasoline and making ethyl benzene.

The plant, one of BP Chemicals' four main UK manufacturing sites, will still employ 510 staff and contractors after the ethylene cracker shuts at the end of March.

Baglan Bay's ethylene cracker was commissioned in 1972 and at one time employed over 2,000 people. It is still the second largest private sector employer in West Glamorgan, after British Steel.

Its closure comes against a background of chronic European overcapacity in ethylene, which is used in the manufacture of plastics and solvents. A Europe-wide plan to help companies cut capacity foundered in December.

The Baglan Bay plant, which has a capacity of 335,000 tonnes a year, was too small and used the expensive naphtha technique for making ethylene, said Mr Pettit.

It accounts for about one fifth of BP Chemicals' ethylene manufacturing capacity. Production will be increased at another of BP's plants at Grangemouth, Scotland.

The closure of the cracker will take £17m out a year of the local west Glamorgan economy which BP has been spending on contracts and supplies.

"This is devastating news for the area," Mr Norman Thomas, chairman of West Glamorgan's economic development committee, said.

The 600 job cuts follow 200 other redundancies in West Glamorgan in the past few weeks and 370 jobs are due to go at the Port Talbot cigar makers JR Freeman.

In recent years BP has contracted out many services such as rigging, scaffolding and insulation, and 250 out of 400 contracting jobs will be lost over the next 12 months. BP will spend £3m on a job creation programme.

The county council criticised the government for downgrading the region in its review of assisted areas last summer and called for the decision to be reviewed.

# Lloyd's Names group 'unable to accept' offer

By Richard Lapper

Leaders of nearly 3,000 loss-making Merrett Names at Lloyd's yesterday said they were unable to accept a settlement offer, designed to bring an end to legal action involving 17,000 individual members, whose capital supports the insurance market.

The Merrett Names, whose losses relate to the 1985 underwriting year, are one of the three biggest groups of loss-makers at the market which has been rocked by losses of more than £6bn in the last five years. Two other groups – the Gooda Walker and Feltrim Names – meet next week to discuss the deal, which Names must accept or reject by 14 February.

Describing the settlement document as "one-sided" and the offer a "small pittance" Mr John Mays, deputy chairman of the Merrett Names' Association, said the group would continue its legal fight "both for justice and to change the culture of Lloyd's." Names wishing to accept the deal must resign from the association.

The settlement announced last month offers Merrett Names only £44.07m in compensation, compared to losses to date of more than £135m. The association expects losses to eventually reach £765.06m and said the deal is worth less than 6p in the pound to its members.

Merrett syndicate 418, which has now ceased to underwrite, is unable to close its accounts for the 1985 year because of uncertainty over the scale of liability claims, many of which are from US asbestosis and pollution cases.

Mr Ken Lavery, chairman, told the meeting that 673 of the 925 Merrett Names responding to a survey conducted by the association would either reject or were inclined to reject the settlement offer. Only 164 of those replying leaned towards accepting the deal.

The group's legal action against agents and auditors is expected to come to court early next year.

Separately Merrett Names were urged to lend their support to a call by action group leaders to hold a new extraordinary general meeting in order to overturn changes to Lloyd's voting rules introduced last month.

# Warning on competitiveness of Britain's fishing fleet

By Alison Maitland

Britain is losing its capacity to build and repair fishing vessels, threatening the competitiveness of the fleet, says a report published today by the Sea Fish Industry Authority.

It should be building three times more big fishing boats a year to prevent the fleet ageing, says the report. But only 37 yards built fishing boats in 1992 compared with 68 in 1987.

Yards undertaking repairs fell by 12 per cent in the same period. Employment in construction and repairs dropped by 37 per cent overall, while more than half the workforce left the industry in Scotland and Northern Ireland.

"The trend is worrying because the UK fleet is, on average, already fairly old and current rates of new building and withdrawals are not enough to stop it ageing further," said Mr Peter Chaplin, chief executive of the Edinburgh-based authority.

"Unless we reverse the trend, our fleet will continue to age at the same time as our European neighbours are taking steps to modernise."

The average age of boats over 10 metres is now 22.5 years, the report says. Britain should be building about 76 boats of this size a year, while at the same time withdrawing 190 old vessels a year to meet the 19 per cent reduction in fleet capacity required under EU rules.

By contrast, the report says, too many boats under 10 metres are being built, although the recent introduction of licences for these boats may halt the trend.

Part of the Newhaven fishing fleet on the Sussex coast. Britain 'should be building more boats' says a report Picture Colin Brown

# Import threat to jobs in chemicals

By Daniel Green

The £28bn-a-year UK chemicals industry will shed more than 10,000 jobs during 1994 as companies struggle to compete with foreign suppliers, according to forecasts from the Chemical Industries Association (CIA), yesterday.

Output, investment and exports will nevertheless rise as the UK leads the rest of Europe in a sector recovery.

Productivity growth in the UK will be "very positive", said the CIA. It forecasts a 3 per cent fall in employment and a rise in output of 2.5 per cent.

An increasing proportion of production will be exported, and the trade surplus is likely to rise from £3.8 billion to "over £4bn", said Mr Richard Freeman, chief economist at ICI and chairman of the CIA Economic Appraisal Committee.

Excluding pharmaceuticals, growth in chemicals production will rise from 1 per cent in 1993 to 2 per cent this year, according to Mr Freeman.

The UK and France will be the only two large countries in western Europe which will raise investment this year.

However, the Continent will show a much sharper change in investment strategy with, for example, western Germany turning last year's 21 per cent cut in investment to just a 2 per cent fall in 1994.

The figures were given at the annual business outlook conference held by the CIA, the UK industry association.

At the same conference, the CIA's director general, Mr John Cox, said that the successful implementation of the Uruguay Round of Gatt talks "should be worth an additional £1bn per annum for the chemical industry by the end of the decade."

However, Mr Clive Thompson, vice president of operations and supply at Arco Chemical Europe, warned that "there are few bright signs of competitiveness in the [European] chemicals industry."

# Greenpeace hopes for review of Thorp

By Bronwen Maddox, Environment Correspondent

Greenpeace, the environmental pressure group, expects to be told in the high court today that it has won permission to bring a judicial review of the government's decision to grant a licence to the £2.8bn Thorp nuclear reprocessing plant at Sellafield in Cumbria.

Its application for a review will not be contested by British Nuclear Fuels, the plant's owner, or by the government, BNF's shareholder.

According to the terms of the licence, announced by the government before Christmas, BNF can begin operating the plant from January 17.

The 500m long plant, which is designed to extract reusable uranium and plutonium from used nuclear fuel, will then become radioactive.

Greenpeace said yesterday that if a review is granted, it will take place in early February.

However it has decided not to ask the courts to delay Thorp's operation until after a review hearing.

It says BNF will be occupied with preliminary tests of the plant until mid-February, and the plant will remain largely uncontaminated until then.

BNF, which has said that Thorp will earn at least £900m for the UK in its first ten years – a claim widely criticised during the consultation process prior to the government go-ahead – said yesterday it was looking forward to beginning full operation of the plant.

# Upbeat picture for tourism industry

A record number of visitors to Britain spent more money than ever before in the first 10 months of 1993, it was announced yesterday.

According to the British Tourist Authority, it was western Europeans rather than Americans who helped push up the figures. With the final two months' figures still to come in, 1993 is set to become a record year for visitor numbers.

Britain welcomed 16.5m overseas visitors between January and October last year – an increase of 4 per cent on the same period in 1992.

They spent a record £7.8bn – 15 per cent up on the same period a year earlier.

While the number of visitors from North American fell by 3 per cent in the first 10 months of 1993, the numbers from Western Europe were up by 6 per cent.

October 1993 was itself a record month – with spending up 25 per cent to £820m and visits increasing 8 per cent to 1.6m.

● A record 1.7m people visited London's Tate Gallery last year – 200,000 more than in 1992.

The gallery, at Millbank beside the Thames, attributes the increase to its decision to circulate annually a selection of its many exhibits, among the most popular of which is Rodin's sculpture The Kiss.

The Tate is expecting a quarter of a million visitors to its forthcoming three-month Picasso exhibition, starting on February 16.

# Tunnel train drivers to get 30% rise

By Robert Taylor, Labour Correspondent

Britain's train drivers operating both freight and passenger services through the Channel tunnel from this summer are to receive pay rises of around 30 per cent.

Their average annual salaries will rise to £25,000 under flexible collective agreements based on performance related pay reached with BR's subsidiaries, Railfreight, and the European Passenger Services. Drivers' basic pay will be £20,900 a year.

The rail drivers' union ASLEF hopes these will set the pace for similar deals with the new train operating companies after privatisation begins on April 1.

The drivers will be moving an estimated 30m passengers and 15m tons of freight a year through the tunnel in 18 coach-long trains. As many as 40 trains an hour will use the tunnel rising to a maximum of 60.

"We are going to negotiate the best deals we can for our members and ensure their terms and conditions are protected", said Mr Lew Adams, the new general secretary of Aslef the train drivers union yesterday.

Under the Channel tunnel agreements the drivers involved will have to speak some French and operate three different rule books. More than 600 from all over Britain have applied for the drivers' jobs which will be the best paid in the industry – and better than their French colleagues.

In return for substantially higher earnings as well as salary status with more generous sick pay and holidays than others, the drivers will have to carry out their jobs more flexibly with no restrictive practices or overtime.

Their working hours are to be calculated on an annual, not a weekly basis, to fit into new working patterns.

"Although we are still opposed to privatising British Rail, we have no alternative but to meet the new owners and managers of the train operating companies. They will seek to maximise their position but this must not be done to the detriment of our conditions", said Mr Adams

But Aslef will not block internal change. Traditionally known for its obstructiveness, the union under Mr Adams is in the mood to co-operate with innovation in return for higher pay.

● Most rail travellers who use discounted tickets could find themselves paying far more for their journeys or missing their most convenient train if present plans for discount rail fares after privatisation are carried through.

The government promise that tickets bought from one rail company can be used on the trains of competing companies were described "a bit of a con" by a senior British Rail executive in a leaked document revealed yesterday.

The companies which take over BR's operations will not be obliged to accept discounted tickets issued by other companies, Transport 2000, the lobby group, said.

## Britain in brief

### Labour sees security threat to airports

The opposition Labour party claimed that it had received leaked documents showing that ministers were planning to reduce airport security as part of their drive to relax regulations which are a burden to business.

Mr Frank Dobson, Labour's transport spokesman, said that he had received a Department of Trade and Industry document in which officials had criticised the effect on the aviation business of what was seen as an officious attitude amongst security staff.

Mr Dobson said the criticism was contained in a discussion document prepared by the Communications and Transport Deregulation Task Force, one of the committees set up by the DTI to further the government's deregulation drive.

In the document, officials also criticised the flight time limitations at UK airports, saying that they were more onerous than in the rest of the EC. They also argued that restrictions on aircraft night movements were "onerous."

DTI officials said yesterday that the results of the task forces' reports would be published shortly, "and will show as ridiculous these and other scare-mongering stories."

### Manchester sets airport record

A record 13.4m passengers used Manchester Airport last year, an increase of 7.6 per cent over 1992. The biggest rise – 12.1 per cent – was in international scheduled passengers, of whom more than 3.25m used the airport.

Manchester opened its £265m Terminal 2 in March, giving it a 17m-passengers annual capacity, and wants to build a second runway to increase its throughput to about 30m early next century.

Readers of Executive Travel, a trade magazine for frequent flyers, have voted Manchester Airport the best regional airport in the world for 1993.

### Powers for oil companies

Oil companies will have greater power to restrict what other products petrol retailers can sell, Mr Neil Hamilton, the corporate affairs minister said.

He is releasing oil companies from commitments which they made following an earlier monopoly inquiry to refrain from limiting other brands of lubricants, paraffin, anti-freeze and other non-oil products.

The commitments were made by Shell, BP, Esso, Mobil and Texaco in 1965.

However he added that the Director General of Fair Trading would continue to monitor the petrol market and he expects to conduct a further formal review of competition in the market in 1997."

### Vehicle sector confident on '94

The UK commercial vehicle industry is entering 1994 increasingly confident that recovery from its steepest post-war recession is well under way.

This is despite statistics showing a further market drop last year to one of the lowest levels since records began. Industry leaders say that the 2.5 per cent fall in total new commercial vehicle registrations last year, to 197,067 from 201,186, disguises strong second-half growth led by the heavy trucks sector. Recovery in the vans sector, however, remains hesitant.

### Wella unit to close

Wella, the German personal products group, is to close the manufacturing plant of its Ondawel subsidiary at Pontyclun, near Cardiff, with the loss of 150 jobs.

Ondawel, which makes hair cosmetics, has been manufacturing in Wales since before the Second World War. Wella said the closure, by the end of this year, was part of a rationalisation of its European plants.

In north Wales, Warwick International, a subsidiary of Sequa of the US, is to invest £7.8m in expanding its plant at Mostyn, Clwyd, with the creation of 60 jobs. It makes additives for domestic detergents.

### US-UK venture to run prison

A fourth company entered Britain's expanding prison services market yesterday when Premier Prison Services (PPS) was awarded the contract to manage the new Doncaster jail.

PPS is a joint venture between Serco, a British facilities management company, and Wackenhut Corrections Corporation, a US private prison operator and part of the Wackenhut security group.

Doncaster, the first new city centre prison built this century, will open by July and PPS's five year management contract is worth £66m.

# 'No change' in rates as number of jobless falls

By Philip Coggan, Economics Correspondent

The UK's steadily improving economic outlook received a further boost yesterday with news that unemployment in December fell below 10 per cent of the workforce for the first time since July 1992.

But the greater than expected fall was coupled with comments from Mr Anthony Nelson, economic secretary to the Treasury, that there would be "no change for the time being in interest rates".

This triggered a sharp rise in sterling and a steep fall in equity prices.

The pound rose over 1¼ pfennigs against the D-mark, bursting through the DM2.60 barrier, to close in London at DM2.6072, and added a cent against the US dollar, finishing at $1.5013. Fading hopes of an early base rate cut from their present level of 5.5% along with falls in worldwide equity markets, depressed the London stock market with the FT-SE 100 index, closing 41.8 points down at 3372.

Seasonally adjusted unemployment fell 46,800 to 2,766,000 in December, or 9.8 per cent of the workforce. November's decline was also revised upwards by 3,000 to 39,000.

Unemployment has now declined for four consecutive months, and has dropped by 226,000 since it peaked in January 1993. On an unadjusted basis, December's unemployment total rose 13,000 to 2,783,000.

The buoyant employment picture was confirmed by figures for unfilled vacancies at job centres, up 4,500 to 145,400 in December. Mr David Hunt, the Secretary of State for Employment, described the figures as "excellent", and said the downward trend in unemployment was now firmly established, although he felt the overall total was still "unacceptably high".

The only weak point in the jobs figures was the manufacturing sector, where employment fell by 7,000 in December and the amount of overtime worked dropped to 8.11m hours per week, the lowest figure since record started to be kept in 1976.

The employment figures were the latest in a series of encouraging economic statistics to be discussed at the monthly monetary meeting held yesterday between Mr Kenneth Clarke, chancellor of the exchequer and Mr Eddie George, governor of the Bank of England.

The Treasury's monthly monetary report, published yesterday for the meeting, pointed to subdued inflationary pressures and this view was confirmed by statistics showing a 3 per cent annual increase in average earnings in November, unchanged from the October rise and a 25 year low.

Before the New Year, speculation was intense that the government would cut base rates half a percentage point to 5 per cent in early January. Some analysts are concerned about the potential effect on consumer demand of the scheduled April tax increases, and a base rate cut might offset the tax impact.

# Howe attacks Scott Iraq probe

By Jimmy Burns and David Owen

The validity of the Scott arms-for-Iraq inquiry was brought into question yesterday with a spirited public attack on it by Lord Howe, the former foreign secretary.

Appearing as a witness, Lord Howe delivered a statement criticising the conduct of the inquiry, and issuing a veiled threat that Lord Justice Scott's eventual recommendations would be considered invalid by officials and ministers.

Downing Street emphasised that Lord Howe was speaking for himself and not the government. It was up to Lord Justice Scott to decide on procedures once the decision on the form of the inquiry had been taken.

But Lord Howe insisted that he had consulted with officials and ministers who he claimed supported his stand. It also emerged last night that his views are shared by senior foreign office and Downing Street officials.

It is not clear whether Lord Howe's attack will undermine the conclusions of the inquiry. But Mr John Smith, the Labour leader, called on Mr John Major, the prime minister, to make an immediate statement re-affirming his confidence in Lord Justice Scott.

Mr Smith said Lord Howe's attack was a "deliberate and clearly premeditated attempt" to undermine the findings of the inquiry "only four days before the prime minister is due to give evidence."

Earlier Lord Howe had said the Scott inquiry had not fully complied with the the "cardinal principles" for conducting a public inquiry in a fair way.

"Many of those who are looking at these proceedings from outside, are bound to be less enthusiastic to accept conclusions in so far as the cardinal principles have not been complied with," he said.

Lord Justice Scott defended himself against Lord Howe's criticism, insisting that no official or minister had complained to the inquiry and that he counted on the full support of the government.

In a statement read out by the secretary to the inquiry Mr Christopher Muttukumaru, the judge said the inmuqiry's procedures were "established with a view to ensuring its efficient conduct while paying full regard to the need to safeguard the interests of individuals."

At Westminster opinion was mixed on whether Lord Howe's remarks constituted a criticism of the format the government had chosen for the inquiry, or an attempt to spare ministers embarrassment by discrediting its findings.

# Exchange names new chairman

The London Stock Exchange confirmed yesterday that Mr John Kemp-Welch, joint senior partner at stockbrokers Cazenove, will become chairman as of July 14, writes Norma Cohen.

Mr Kemp-Welch, 57, will retire from Cazenove at the end of April. In addition to his role at Cazenove, he has been a non-executive director of the Stock Exchange and of several other companies including Savoy Hotel Plc. He succeeds Sir Andrew Hugh Smith who will serve until July.

Mr Kemp-Welch will become part of the new senior management team with Mr Michael Lawrence, finance director at Prudential, who becomes chief executive on February 1.

The Stock Exchange, which has existed as the City's central marketplace, is now facing potential competition from companies such as Tradepoint, and Reuters Instinet. They are subject to less rigorous regulatory requirements.

"The Stock Exchange has no divine right to exist," Mr Kemp-Welch said. "It will only be dominant if it is efficient and cost effective." He said that the London Stock Exchange has much to learn from NASDAQ, which has become the world's second most active stock exchange.









# Ship of state buffeted by waves of scandal

**Philip Stephens** considers the pressure building on the prime minister as he tries to reassert authority

Midsummer madness in January. That was the most optimistic gloss one minister could put on the latest furore buffeting Mr John Major. Back to the bad old days, was a more realistic assessment of a colleague.

The odds are that if the government keeps its nerve, the present storm eventually will blow itself out. But it will rage for a few days yet.

The district auditor's report due later today on the activities of Westminster's Tory council will reinforce the impression that the Conservative party is frequently indifferent to the traditional values it is now preaching.

Lord Howe's appearance yesterday and Mr Major's evidence to the Scott enquiry next week will refocus media attention on Whitehall's less than honest handling of arms sales to Iraq.

The tabloid press is determined to keep up the pressure on those ministers and Tory MPs who, like the rest of us, have the odd skeleton in the cupboard. The prime minister may insist he is not in the business of witch hunts. But witch hunts sell newspapers.

However absurd have been some (but not all) of the revelations of the past few days, few in the government doubt the cumulative damage inflicted on the prime minister. Downing Street has exercised little or no control over events. No-one, it seems, knows how to run a damage-limitation operation.

## No-one, it seems, knows how to run damage limitation operations

So even in the minds of his friends Mr Major emerges once again as an irresolute leader, a victim rather than a master of events. The old cliché that the prime minister is "on probation" has resurfaced in the bars of Westminster.

But nor have his cabinet colleagues won any prizes.

Like the rent-a-quotes on the backbenches, ministers have clamoured for spots on radio and television to offer their personal and differing interpretations of what Mr Major means by Back to Basics.

And for all the prime minister's insistence that his campaign is about education, law and order and the economy rather than sexual behaviour, the friends of the moral majority have made the most noise.

But the buck, as Mr Major knows, stops at No 10. If his cabinet is undisciplined, it is the prime minister's job to restore order. He cannot ignore the need for his ministers to speak with one voice. Nor can he avoid a more detailed explanation of the moral dimension of Back to Basics.

That in itself should not be difficult. Cabinet ministers are at last using "line to take" notes to ensure that they say roughly the same thing when explaining the policy.

The note omits any detailed exposition of the stance ministers should adopt towards adultery. But it does not take much imagination to explain that distinguishing between right and wrong has a significance which stretches some way beyond the sexual behaviour of MPs. Mr Douglas Hurd is expected to do the job in his speech tomorrow.

Mr Major's problem though is one of credibility. Sections of the Conservative press have decided that whatever he does or says, he is not up to his present job. His enemies on the Tory backbenches speak of him with contempt. There is an air of resignation in the defences offered by his friends.

## Major's enemies on the back benches speak of him with contempt

The opinion polls reinforce the gloom. Even before the latest furore the Conservatives' standing has been consistently below 30 per cent and Mr Major's own rating the worst of any post-war prime minister.

The fragile reawakening of self-confidence apparent in the closing weeks of 1993 has been stifled. Tax rises in April followed by dismal Tory performances in the local and European elections could turn unease into panic.

Some on the backbenches are already suggesting that if the government's share of the vote in those elections does not climb above 30 per cent then the prime minister must pack his bags.

Mr Major cannot be written off. The economy at last is on his side. That counts. If he can restore a grip, the appeal of Back to Basics might yet confound the cynicism of the metropolitan intelligentsia. He is a more resilient politician than his critics allow.

Most of the bookmakers think it is even money that Mr Major will lead the Conservatives into the next general election. One or two think the odds have shifted fractionally against him. As of now, most of his colleagues would not quarrel with that assessment.

# MANAGEMENT: MARKETING AND ADVERTISING

## Show your customers you care

**Phone numbers on products not only deal with complaints, they can build brand loyalty, says Diane Summers**

What happens when a damaging rumour about your product gains circulation? Van den Berghs discovered the answer when an entirely false story appeared on television, and then in a Jewish newspaper in the UK, that Flora, the spread, contained pig fat.

Concerned consumers had an immediate way of checking the story: a customer service telephone number, which had for some time been a standard feature on Flora packs and which meant the company was easily contactable. As calls flooded in, operators were able to reassure consumers that Flora is, indeed, pig-fat free. The telephone number was seen as an important factor in defusing the situation.

The Flora experience is recounted by Robert Leiderman, whose consultancy, the L&R group, guided Van den Berghs' implementation of its telephone service in 1990. It was an early example in the UK of what has become known as a "careline" – the slightly twee term used to describe telephone lines that offer consumers the chance to seek information, make suggestions or complain about products.

Telephone numbers on product packs, or at the point where services are delivered, are still relatively rare in the UK. By contrast, a recent L&R survey found that 83 per cent of branded goods carry a telephone number in the US, where carelines have been operating for some years. In France the figure is 30 per cent, in Germany 15 per cent, but in the UK just 8 per cent.

The benefits of a careline do not just become obvious in a crisis, or when dissatisfied customers need to let off steam, argues Leiderman. He sees direct telephone contact with consumers as a valuable marketing tool, building brand loyalty and boosting consumer confidence. The L&R survey found that manufacturers used the lines to build a customer profile and assemble a database of regular users, as well as gauging reaction to new products and collecting ideas.

Nor is application of the concept restricted to packaged goods. Burger King, the Grand Metropolitan hamburger chain, displays its careline number on posters in its restaurants, on receipts and on take-away bags. Comments from consumers have led to the introduction of a breakfast menu, non-fizzy drinks with children's meals, the continuation of a non-meat burger, and trials in the sale of merchandising such as sweatshirts and baseball caps.

Before Burger King's careline was introduced customer complaints were handled by letter in "a very laborious, ineffective and costly manner", Pauline Gallagher, the company's UK customer care manager, told a marketing conference organised by IBC Financial Focus in London recently. Complaints were not logged and ideas were lost. "Our customers were talking – giving us valuable information – but we were not listening," she said.


Burger King's careline has led to innovations such as a breakfast menu

Now, all information from calls is keyed into a computer and analysed. Problems with suppliers can be pinpointed – indeed suppliers pay a nominal amount towards the cost of dealing with calls where a quality problem has led to complaints. The careline would also provide an early warning system if the company was, for example, a victim of product tampering or poor hygiene in one of its restaurants.

John Gardner, managing director of VG, the UK chain of over 600 independent grocers, provides a rare example of a careline for own-label products.

For VG it is a way of inspiring trust and confidence in the company's own-label range, as well as providing a channel for customer feedback. Information from customers has helped in updating products by, for example, eliminating some food additives.

As Gardner points out, "carelines are not for the timid or faint-hearted", a point reinforced by the experiences of Coca-Cola & Schweppes Beverages, the joint venture between Cadbury-Schweppes and Coca-Cola formed in 1987.

Steve Harris, head of Coca-Cola & Schweppes Beverages' quality assurance in the UK, has seen the number of complaints from consumers double since 1992, when a careline number started appearing on products as part of a Total Quality programme. He is nevertheless philosophical: "We are making it easier for consumers to tell us if they are dissatisfied."

Operators at Coca-Cola & Schweppes, who received three months' training before the scheme started, take a total of about 5,000 calls a week on 10 telephone lines. About half of the calls are hoaxes or nuisance calls, many from children.

Harris also warns that careline providers "must be prepared for some very nasty calls. There are some weird people out there and if you are on the receiving end it can be very stressful". Counsellors are brought in from time to time to talk to the operators, says Harris.

Out of the genuine calls, 10 per cent are complaints and the rest are enquiries about, for example, ingredients and calories contained in products, or company facts and figures requested by school children or students doing projects.

Summarising the benefits, Harris says the service helps build brand loyalty, provides early warning of any product quality problem and could, in future, be used to track promotions and chart levels of customer satisfaction.

However, not all of those introducing carelines have thought out their strategies as thoroughly, and many are unable to evaluate the service they provide, warns Robert Leiderman.

L&R's survey found that declared objectives are not always carried through in the operation of the lines. For example, while half of the careline providers cited helping to build a database of regular users as a potential benefit of the service, less than 15 per cent of US carelines ask for the caller's name and address. In France the figure was 14 per cent, and none bother in Germany. In the UK it was substantially higher at 45 per cent.

Carelines only work if objectives are clear and evaluation procedures are laid down at the outset of the project. "Some manufacturers are taking to carelines as a 'follow the leader' reaction to what is happening in the marketplace. The danger is that companies will venture into carelines without the level of commitment required to make them work," says Leiderman.

---

**Ford and GM's latest financial ventures may just be the first step, writes Steve Worthington**

## Car groups gamble on playing the right card

Last month's launch of the Ford Barclaycard was a direct response to the arrival of the GM Card from Vauxhall in October: both bear witness to the fiercely competitive nature of the world car market. Overcapacity is forcing manufacturers to concentrate on how to retain the loyalty of existing customers, while seeking to add whatever incremental sales they can.

The initiatives are of interest beyond the car industry not least because they offer contrasting perspectives on branding.

The Ford Barclaycard, for instance, brings together two of the best-known brands in the UK. Ford is the market leader for new cars and its share of the UK car registrations market was 21.7 per cent for the first 11 months of 1993. Similarly, Barclaycard is the market leader in the UK credit card market with some 8.9m cards on issue out of a total of 27m bank and building society credit cards in the country.

By contrast, the GM Card from Vauxhall, issued by HFC Bank, brings together two lesser-known brands, one indeed largely unfamiliar to UK consumers. General Motors' branding policy has run counter to Ford in that, outside the US, it has employed sub-brands reflecting its approach to different markets. Examples include Vauxhall in the UK, Opel in Germany and Holden in Australia. To build upon the success of the card in the US, while trading on the local brand, the GM Card from Vauxhall attempts to promote both brands, as well as laying the groundwork for future ventures such as perhaps a GM Card from Opel.

In the US, GM's card was issued by Household International, whose subsidiary in the UK is known as HFC Bank. In spite of its 150 personal banking centres HFC is not a well-known financial services brand, and hence most of the advertising has prominently featured the GM brand and played down HFC's involvement.

Of course, it could be argued that, in the GM and HFC case at least, both partners know who is calling the shots and whose brand will prevail, while for Ford and Barclaycard it is more a battle of the giants to see who gets top billing. It could yet end in tears.

For both cards, heavy promotional activity is essential. If they do not get their critical mass of cardholders in the first year, it is unlikely that they will do so subsequently. Switching between credit card issuers is not common among UK consumers, with most credit cards perceived as part of the package of financial services that individuals take from their primary account, be


that a bank or building society. With 27m cards on issue already and credit scoring procedures rigorous in the attempt to combat fraud, the UK credit card market is already pretty saturated.

The GM Card is available from mid-January and the Ford Barclaycard from April 1 1994. GM's target is thought to be at least half a million cards while the Ford Barclaycard is designed to add a quarter of a million cards to the existing portfolio.

Other car manufacturers – Audi, Peugeot Citroen and Rover, for instance – are unlikely to allow these card schemes to take business from them, and other goods and services suppliers may also enter the added-value credit card market. There is only room in the market for limited numbers of rebate-based credit cards, as the very fact that the rebates are based on usage encourages the cardholder to concentrate spending on one card only.

How, then, will those who choose not to enter this market (or who fail in their attempt) seek to compete with the rebates being built up by cardholders seemingly loyal to their chosen credit card sponsor? Will any of them be bold enough to follow the example of some of the grocery multiples such as Tesco and accept for redemption the coupons (rebates) offered by competitors?

In such a scenario, proof of rebate earned could be accepted in some proportion by a competitor and used as a spoiling tactic against those relying on card-based loyalty. Such tactics would, however, not necessarily invalidate the strategy behind the new added-value credit cards.

What GM and Ford are doing is coming to terms with the three Rs of survival in the 1990s: Retention of existing customers, Recruitment wherever possible of new customers, and Relationship-building with all customers. The new credit cards will aid retention and recruitment, but equally importantly they provide the means to circumvent the independent dealer network and hence build relationships between manufacturer and customer.

A credit card application is a perfect opportunity for the card sponsor to understand more about the potential customer, to understand more about each other. In addition, the car manufacturers will presumably want to go beyond selling their products to financing the sale and supplying insurance and warranty products.

In this way, not only are GM and Ford after the profitability that comes from a credit card, but they are seeking to gain ground from the more traditional financial institutions.

*The author is professor of marketing of financial services at Staffordshire University Business School.*



## LEGAL NOTICES

**Notice of Appointment**

Company Number: 1725437. Name of Company: Financial Company for Supply Limited. Nature of Business: Importing and exporting barley and malt. Type of Liquidation: Members' voluntary liquidation. Address of Registered Office: 16 Lincoln's Inn Fields, London WC2A 3ED. Liquidators' Name and Address: Margaret Elizabeth Mills and David John Pallen, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Office Holder Nos: 5318 and 5317. Date of Appointment 24 December 1993. By whom appointed: Members.

**Notice to Creditors**

**FINANCIAL COMPANY FOR SUPPLY LIMITED**
**(In Members' Voluntary Liquidation)**

NOTICE IS HEREBY GIVEN that the creditors of the above-named company are required, on or before the 24 February 1994 to send their names, addresses and particulars of their claims, including any claim in preference, to the undersigned, M E Mills or David John Pallen, Liquidators of Financial Company for Supply Limited, Becket House, 1 Lambeth Palace Road, London SE1 7EU or in default thereof they will be excluded from the benefit of any distribution made before any such claim is proved.

M E Mills
Joint Liquidator
24 December 1993

NOTE: This notice is purely formal. All known creditors have been, or will be, paid in full.

**Notice of Meeting of Creditors**

**THE INSOLVENCY ACT 1986**

**ROBERT FRASER HOLDINGS LIMITED**

NOTICE IS HERE GIVEN pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of Creditors of the above-named Company will be held at 1 Riding House Street, London W1A 3AS on Friday 14th January 1994 at 3.15pm, for the purposes mentioned in Sections 99 to 101 of the said Act.

A list of the names and addresses of the Company's creditors will be available for inspection free of charge at No 1 Riding House Street, London, W1A 3AS between 10.00am and 4.00pm on Wednesday 12th January 1994 and Thursday 13th January 1994.

Creditors wishing to vote at the meeting must lodge a full statement of account and (unless attending in person) a proxy at No 1 Riding House Street, London, W1A 3AS no later than 12 noon on Thursday 13th January 1994. Secured creditors must, unless they surrender their security, give particulars of their security and its assessed value if they wish to vote at the Meeting.

BY ORDER OF THE BOARD

Signed
Director
5th January 1994

**Notice of Appointment of Liquidator**

Company Number: 1634314. Name of Company: Mayflower Brokers Limited. I David Lowe of Cooper Lancaster Brewers, Aldwych House, 81 Aldwych, London WC2B 4HP and 14 Wood Street, Bolton BL1 1DZ give notice that I was appointed Liquidator of the company on 5th January 1994.

The appointment was by the Members and Creditors.

Type of Liquidation: Creditors voluntary. Name of Liquidator: David Lowe. Office Holder Number: 5531

## COMPANY NOTICES

**SAVE & PROSPER FINANCIAL SECURITIES FUND**

Coupon 145 falls due for payment on 15th January 1994 at a rate of 0.70p per Financial Securities Fund unit.

Coupons should be presented to Global Custody Services, The Royal Bank of Scotland plc, Corporate Trust Department, Regent's House, PO Box 348, 42 Islington High Street, LONDON N1 8XL, from whom listing forms can be obtained. Coupons must be lodged by an authorised depositary and left three days for examination.

## PERSONAL

**PUBLIC SPEAKING** Training and speech-writing by award winning speaker. First lesson free. Tel: (0727) 861133

## CONTRACTS & TENDERS

**Manchester Airport**

**MANCHESTER AIRPORT PLC**

**SPECIALIST RETAIL CONCESSIONS**

Manchester Airport Plc invites interested parties to apply for tender documents for the operation of a retail unit situated in the Terminal 2 Public Concourse at Manchester Airport.

Applicants must specialise in one or more of the following areas:-

Gifts/Cards
Sportswear
Toys/Games
Clothing (male and female)
Natural beauty products
Sunglasses specialist

There are two units of approximately 350 sq ft or one unit of 700 sq ft.

It is anticipated that the contracts will commence on 1st April 1994.

Companies wishing to be considered for inclusion on a select list of tenderers, should apply as detailed, providing the following information:-

1) Copies of the last two years audited accounts
2) Company brochure/profile
3) Bankers name and address
4) Names and addresses of two referees

Applications should be made to the Administration Manager, Manchester Airport Plc., Manchester M90 1QX by Friday 21st January 1994.

## LEGAL NOTICES

In the High Court of Justice
Chancery Division No. 0010528 of 1993

**IN THE MATTER OF CIVIL AND MARINE SLAG CEMENT LIMITED**
**and**
**IN THE MATTER OF THE COMPANIES ACT 1985**

NOTICE IS HEREBY GIVEN that a Petition was on 1st December 1993 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company from £12,550,290 to £6,275,171

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 26th day of January 1994

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same

DATED this 21st day of December 1993
Lovell White Durrant
65 Holborn Viaduct
London
EC1A 2DY
Solicitors for the above-named Company

Notice of appointment of Administrative Receiver

**EUROPA DOORS LIMITED**

Registered number 2525862. Trading name: Europa Doors Limited. Nature of business: Door Manufacturer. Trade classification 09. Date of appointment of administrative receiver(s): 4 January 1994. Name of person appointing the administrative receiver(s): Barclays Bank plc. Joint Administrative Receivers: I M Iredale, S P Holgate. (office holder Nos 2104, 7791) Address: Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG

Notice of appointment of Administrative Receiver

**A T Vincent & Son Limited**

Registered number 465903. Nature of business: General Builders. Trade classification: 23. Date of appointment of Administrative Receivers: 5 January 1994. Name of person appointing the Administrative Receivers: Midland Bank plc. Joint Administrative Receivers: E M Shires (office holder number 7925) N J Vaught (office holder number 6539) Address: Coopers & Lybrand, PO Box 262, Orchard House, 10 Albion Place, Maidstone Kent ME14 5DZ

**FOSTER DAVIS CONTRACTORS LIMITED**

Registered number: 1808178

Nature of business: Builders and Building Contractors
Trade classification: 23
Date of appointment of administrative receiver: 6 January 1994
Name of person appointing the administrative receiver: Dumcrom Limited
SURAT KUMAR SINGLA
Administrative Receiver
(office holder no. 2851) of
49 Queen Victoria Street, London EC4N 4SA

# TECHNOLOGY

One of the world's busiest container ports is a pioneer in its use of computers, writes **Kieran Cooke**

## Singapore finds quay to success

On the dock lie 60,000 containers, stacked five high. In one of them is a batch of bicycles en route from Taiwan to Finland. It needs to be found, loaded on to a truck, taken to a quayside crane and put in a designated place in the hold of a particular vessel, one among dozens in the port. All this must happen in minutes.

Handling cargoes at Singapore, which rivals Hong Kong as the world's busiest container port, is as complex as managing flights at an international airport. A vessel arrives at and departs from the port on average every three minutes. At any one time, 700 ships are in port.

The port is a pioneer in using technology in virtually every aspect of its operations. More than 200 computer and wireless transmission systems monitor traffic, designate berths and loading and unloading times, deal with customs and paperwork, and book bunkering fuel.

"If we hadn't developed our technology then Singapore would no longer be competing as a major port," says Eric Lui, deputy director of information systems at the Port of Singapore Authority (PSA), the government body that runs the port. "Technology is vital to combat our land and labour shortage problems, to keep down costs and, most importantly, to improve port efficiency."

Recently, the PSA has been concentrating its technological efforts on a computer system that plans and directs all of the port's container-handling operations.

The computer integrated terminal operations system (Citos) controls container movement from the freight forwarding agent to the hold of the ship. First, the agent keys into a computer system called Portnet, which gives sailing times of vessels, length of delivery and space available. Then, the agent keys in container contents, weight of goods and the ship required.

Using another system called Tradenet the agent can obtain electronic customs approvals and clear other official documents. Through Citos, the agent is given a time to deliver the container to the port.

About 6,000 trucks – known in port language as "prime movers" – enter or leave Singapore port every 24 hours. The gates are fully automated. The PSA says the average clearance time is 45 seconds.

"We give the agents transponders, which are fitted to the top of the containers," says Lui. "The transponders are used to register arrival at the gate and transmit messages to a central computer. Cameras at the gates read the container numbers, the driver flashes his ID against a magnetic screen and at the same time the container is weighed."

In less than a minute, the driver receives a computer readout detailing where he should wait for a crane to unload his container. At the same time, the central computer is flashing messages to display screens watched by crane operators and dockside prime mover drivers, telling them where and when to pick up the container, which ship to load it on to, and in what sequence containers should be loaded.

Singapore is at the centre of the world's fastest-growing economic region, and container traffic through the port is expanding by about 20 per cent each year.

Twenty years ago, Singapore was handling 130,000 TEUs (twenty foot equivalent units – the standard container measure) every year. In 1992, it handled 7.56m TEUs; the figure for 1993 is estimated at nearly 9m TEUs, with a further rise forecast to 15m TEUs by the turn of the century when the first phase of a port expansion plan is completed.

The port serves as a regional hub, with feeder services sending goods from Indonesia, India or Thailand for loading onto bigger "mother ships". An estimated 70 per cent of the port's traffic is based on such transshipment activities.

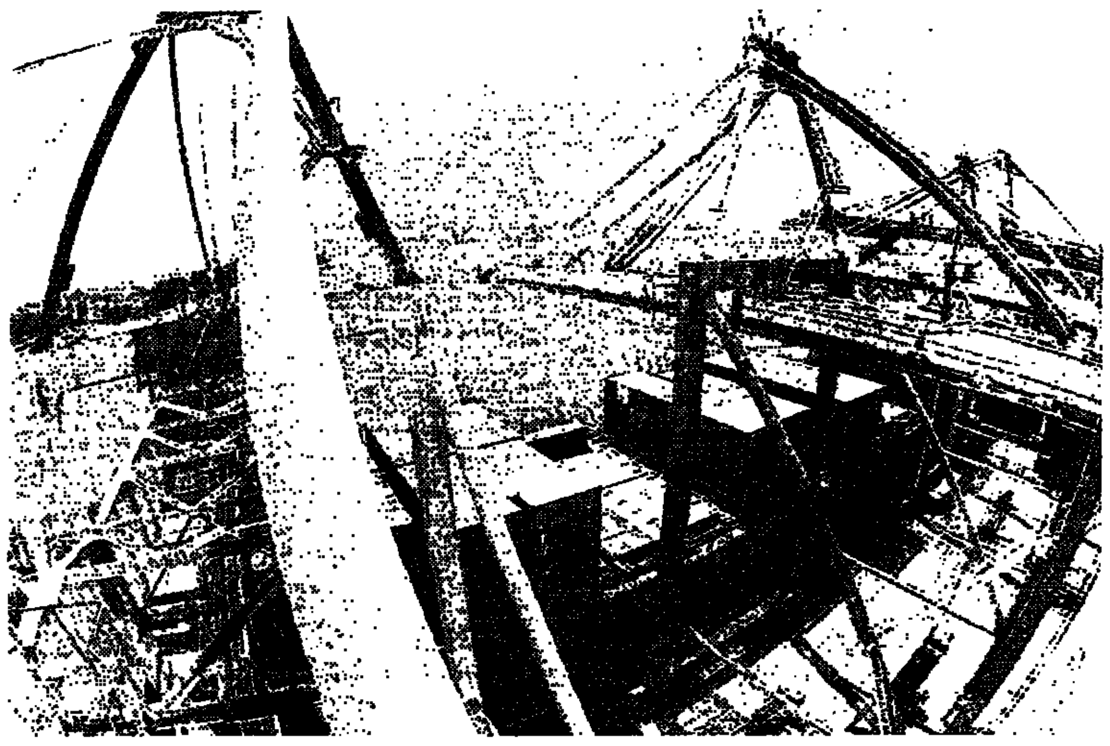
The PSA claims that technology gives it the edge in many areas. Singapore can have vessels in and out of port more quickly than elsewhere, and officials say the port can turn around a ship carrying 1,000 TEUs in less than 12 hours.

Singapore's technology also brings cost advantages, says Lui. "Because of our serious labour shortage problems, the cost of workers in Singapore is considerably higher than in Hong Kong, which can draw on a plentiful labour supply from China. Yet through using technology, we calculate that the costs to the port user here are half those in Hong Kong."

In spite of the big expansion in port traffic, the PSA has been reducing its workforce and now has about 2,300 employed in port handling activities. Lui says Hong Kong has about 6,000 workers – partly because it has separate terminals and is not one unified port.

The PSA does face problems. Other ports in the region, such as Malaysia, have big ambitions and can offer a cheaper service to shippers. Lui also admits that technology cannot cope with everything: experts are still wrestling with how to make full use of spare capacity on dockside prime movers.

Nevertheless, Singapore seems confident about its future. The government plans to partly privatise the port, probably this year.



Glyn Genin

Singapore port serves as a regional hub, with feeder services sending goods from Indonesia, India or Thailand

## Software scheme may mean final goodbye to Mr Chips

**Andrew Adonis** on plans for a 'community learning utility' taking multimedia into Britain's classrooms

*Tell me and I forget*
*Teach me and I remember*
*Involve me and I learn*

Benjamin Franklin's injunction was the tag for a lecture at the Royal Society of Arts in London last night on the prospects for a "community learning utility" taking multimedia into classrooms across the country.

The idea behind the scheme is simple: establish a national, not-for-profit utility with a bank of curriculum-related software, and deliver it to participating schools and colleges on a pay-as-you-use basis.

The scheme is the brainchild of Alan Benjamin, a former director of corporate communications at ICL, the UK computer comnpany owned by Japan's Fujitsu, and a member of the board of the Docklands Development Corporation. He has monitored the birth of community learning utilities (Clus) in the US. Nine states now have a learning utility: the scope of their networks ranges from a handful of schools in some states to around 50 in Florida, Utah and Arizona.

Utah's utility dates back to the late 1980s. Within schools, local area networks make it cheap to run programs from one "server"; and free local telecom calls give classroom communication at no extra charge.

"The concept of the learning utility is first and foremost an idea about how to enrich and reconstruct education and empower educators," said Benjamin. "It is only secondly a technological system".

He said there were already 6,500 educational software programs in the UK, but "the updating and enhancement of software is better organised and less expensive to achieve at a central point than at many locations. The utility will also be a source of user support and trouble shooting".

A demonstration will take place in London at Southwark's South Bank Technopark in March, with software and personnel from the US utilities. Benjamin hopes it will prompt the establishment of the first community utility in the UK, possibly this summer.

The vision is of classrooms equipped with up to 30 workstations connected to a "classroom storage level device", which would be used by the teacher to put together appropriate material for lessons from the utility's resources. Transmission could be at off-peak hours to cut telecom costs, with lesson planning and research done in advance.

Who will pioneer the utilities, and how will they be financed? Benjamin believes the pioneering role would be ideal for training and enterprise councils, the local private-sector run bodies in England and Wales, which are keen to become more than deliverers of statutory government training programmes. "A Tec could provide the standards, some of the programmes, the training framework and some of the finance of the partnership."

Schools would have to find much of the funding from their budgets, taking advantage of their new financial autonomy.

Shortage of trained teachers is also a challenge. Benjamin envisages a new career for "educational technologists", with degree courses in the subject.

If Benjamin's Clus take off, Mr Chips and his blackboard could soon be museum pieces.

**Alan Cane** looks at a new low-cost printer that is easy to use

## Citizen brings simple colour to the home computer market

Citizen, the Japanese watch and electronics equipment manufacturer, yesterday announced the first colour computer printer designed to be sold in volume through retail outlets to non-expert users.

The recommended UK retail price is £189, excluding VAT, but the street price is expected to be closer to £129.

Edward Huggins, Citizen Europe's marketing director, says it was impossible to produce an electromechanical printer at lower cost and make a satisfactory profit.

The printer, the Citizen ABC, is designed as a simple-to-use first machine for home users. It is based on 24-pin dot matrix technology, offers letter quality fonts and prints text and graphics in colour.

Its chief advantage, according to Huggins, is the ease with which it can be connected to a computer and set up for use by computing novices. Even low-cost printers today are targeted chiefly at the business market, and Huggins's words will strike a chord with anyone who has found themselves unscrewing parts of their newly-purchased printer to flip mysterious switches deep within its interior, or wrestling with printer driver software.

The ABC printer does away with control panels; instructions for assembling and connecting the equipment are supplied on a floppy disk that accompanies the machine and there are only three control buttons. Citizen says the average first-time user can be up and running within five minutes of opening the box.

The machine has been designed for retail sales and Citizen has developed a five-minute demonstration using CD-Rom to do away with the need for dedicated sales staff.

The company claims to be the European leader in dot matrix printers offering optional colour. The ABC is part of its strategy to dominate the low-price end of the market. It also aims to extend the life of dot matrix technology, which is fast giving way in business to laser jet and ink jet printing.



# PEOPLE

## Alan Yarrow moves up at KB

Kleinwort Benson, the merchant bank which before Christmas failed to find an external candidate to head the bank and promoted two existing staff to the posts of joint chief executive of investment banking, has further complicated the management structure by moving Alan Yarrow (right) to become managing director of Kleinwort Benson Securities.

The task of Sir Nicholas Redmayne, one of the two chief executives who was previously md of the securities side, is now "to look at the strategy side outside of the day-to-day developments, leaving a gap on the securities side into which I fit," says Yarrow, who at 42 is 13 years Redmayne's junior.

However, David Clementi, the other chief executive, remains head of the corporate finance department as well.

Yarrow contends that, despite the uncertainties over management direction last year, KB has made considerable strides in integrating its services to appeal to international clients, mustering "a lot of the strengths that we were too modest to shout about". He also acknowledges that "the [very buoyant] markets have bailed us out to some extent".

Yarrow joined Grieveson Grant in 1972, and was made a partner nine years later. In 1989 he became head of institutional sales at KB, which had acquired Grieveson in the mid 1980s, before being made head of global equity sales and distribution last year.

## Finance moves

Peter Smith, chairman-elect of Coopers & Lybrand, the UK's largest accountancy firm, has co-opted two of his rivals in the November leadership race as part of his new management team.

Fresh from their defeat in the firm's first ever contested election, Adrian Lamb and Alan McFetrich join the seven-person team which will begin work under Smith on May 1. Lamb remains responsible for the operation of the firm's regions, while McFetrich takes on the job in charge of external affairs.

The other members of the management team are Geoff Green, Vic Luck, Anyas Morse, Pat Sherry and Peter Hazell, who takes responsibility for Smith's previous role for London operations.

Richard Stone, the fourth candidate for the Coopers' chair, will not be part of the team, but remains head of the firm's corporate finance practice.

Roger Davis, head of audit, accounting and advisory practice, is supported by an executive partner, Ed Smith. Vic Luck replaces Malcolm Coster as head of management consultancy. Peter Wyman becomes head of tax practice, with Paul Boorman as his executive partner in charge of internal matters in the practice area.

■ **Patrick Gifford**, formerly a director of Fleming Investment Management, has been appointed chief executive of FLEMING INVESTMENT TRUST MANAGEMENT, and will become chairman at the end of March when **Lord Mark Fitzalan Howard** reaches 60 and retires.

■ **Adrian Montague**, formerly a partner of Linklaters & Paines, has been appointed a director in KLEINWORT BENSON's corporate finance division.

■ **Mike McManus**, commercial director of BARCLAYS Card Services, has been appointed personal sector marketing director in succession to **John Cheese**.

■ **John Hughes**, formerly a director of Henderson Administration, has been appointed director of business services at INVESCO Europe.

## Courtney to take the credit

Peter Courtney, former finance director of Rank Organisation and The Boots Company, has become non-executive chairman of Hull-based Cattle's Holdings, one of the few quoted financial companies to specialise in weekly home-collected credit.

Courtney, 61, takes over from Roy Waudby, 65, who has headed the company for more than a decade and was on the board when founder Joseph Cattle floated the company over 30 years ago.

Cattle's, like its bigger rival Provident Financial, has grown from being a Northern check trading business involving thousands of agents who collect weekly instalments from individual homes, into a consumer financial services company. Since it bought Compass Credit from Standard Chartered three years ago its shares have more than trebled and the company is now capitalised at £190m.

Cattle's chief executive Eddie Cran, 42, who joined the group at the time of the Compass acquisition, says he had wanted a non-executive chairman who was a finance man. Courtney says he was attracted by the enthusiasm of Cran whom he describes as "quite a performer".

Since resigning from Boots in April 1990, Courtney has spent a lot of his time helping sort out Throgmorton Trust, an investment trust which lost its way in the 1980s. He expects to go non-executive shortly.

Although Courtney, a Yorkshireman by birth, is rather coy about who put his name forward for the Cattle's job, he seems to have found favour with the Yorkshire business mafia. In June he was made non-executive chairman of the Bradford-based Yorkshire Building Society.

## Non-executive directors

■ Trevor Harrison, 54, who spent 28 years with ICI, has been appointed a non-executive director of Croda International, the speciality chemicals group. Harrison, general manager of planning at ICI, played an important behind-the-scenes part in last year's demerger of ICI's bioscience business, Zeneca. Harrison had been expected to stay on with ICI but retired late last year following a cutback in the size of ICI's headquarters staff.

■ Alliance Resources, the North American-based oil and gas company, yesterday announced the appointment of William Kennedy, a Canadian citizen, as a non-executive director. The appointment follows the cancellation in September of a rights issue in Canada when it was discovered the offer had not complied with local security laws. In June, the company had launched a £2.8m placing and rights issue at 5p to fund expansion.

■ **Sir Christopher Harding** (above), 54, chairman of BET and former chairman of British Nuclear Fuels, is to be the new chairman of LEGAL AND GENERAL GROUP. He will succeed **Professor Sir James Ball**, who was 60 last July, and who will retire after the agm in May.

■ **James Watson**, chairman of NFC, at HENLYS GROUP.

■ **Alan Watson**, visiting professor in European Studies at Leuven University, chairman of the Royal Television Society, as chairman at BURSON-MARSTELLER UK.

■ **Arthur Ewen**, a director of NatWest Wood Mackenzie, at UNITED FRIENDLY GROUP.

■ **Michael Hart**, group md of ACT Group, at AAH.

■ **David Newbigging**, formerly chairman of NM UK, at FRIENDS PROVIDENT following its acquisition of NM Financial Management Group.

Cinema/Nigel Andrews

# Dicing with destiny

What is history? For us living in the real world today, it is the sum of all our yesterdays: the force that shaped the past and made the ingredients for the present. But for those living in *movies* about the past, history is one long tragicomic irony. We the audience know – they on screen do not – the outcome of all those Great World Events being lived through.

This gives every historical movie a split personality. A film about the Battle of Waterloo is not just about the Battle of Waterloo. It is about us filmgoers looking down from Mount Hindsight on foolish old Wellington and Napoleon, as they throw armies at each other in unaccountable ignorance of the well-known outcome. The man in the boots does not know that he will defeat the man in the funny hat, but we do. Result: diminution in dramatic tension, compensated for by the luxurious pleasures of omniscience.

In *Friends*, written and directed by first-time film-maker Elaine Proctor, 1980s South Africa is limbering up for black liberation. Though full of serendipitous life and insights, this is one of those films that has a historical destination to reach and lets us know it.

The three ex-university girls of the title – one black, two white – must be split apart by political events and then reunited. Aninka (Michele Burgers), a working-class Afrikaner who weds an archaeologist, spends much of the movie digging up the back garden with her hubby, exposing symbolic layers of African history. Thoko (Dambisa Kente) is a goodhearted Zulu: a walking advertisement for Black Is Beatific. And anti-apartheid terrorist Sophie (Kerry Fox) – mad, bad and dangerous (but lovable) – dashes about the land planting time-bombs in order to catalyse a future we in the audience already know.

Even had we not read our newspapers, we could presage the one-nation solidarity-out-of-trauma ending from this film's opening shot. The women sit in a steam room in a symbolic feet-outwards triangle (or three-point star). Their lives may be pointing in different ways, ah! but their heads and hearts are so close. History will bring them together after a first, rite-of-passage parting of the ways.

For the "We Hate History In The Movies" lobby – of which I am an occasional member – the divergence process proves more enjoyable than the obligatory reunion

FRIENDS (15)
**Elaine Proctor**

THE NORTHERNERS (15)
**Alex Van Warmerdam**

UNDERCOVER BLUES (12)
**Herbert Ross**

PROVIDENCE (PG)
**Alain Resnais**

STRANGER THAN PARADISE (15)
**Jim Jarmusch**

under the skies of Mandela's dawn. Kerry Fox, who riveted attention as the wacko grown-up heroine in *An Angel At My Table*, plays Sophie as if auditioning for a production of the *Marat/Sade*. Straggly blonde hair, blanched features, insomnia-shadowed eyes: this is the face of guilt and derangement with which terrorists must pay for their *felices culpae*.

Yet her sacrificial courage, suggests the film, in fragmenting both her own personality and her friendship bond with Thoko and Aninka helps hasten the true healing process of the close. No omelettes without broken eggs; no Utopias without broken laws.

The film is too programmatic and too contrivedly cross-sectional in its distribution of main roles; also, too ready to use Sophie-style scare tactics to shock us into enlightenment. (The prison scenes are the old thump/wallop/bright lights stuff we know from a hundred *Cry Freedoms*). Nor does Elaine Proctor, a South African-born graduate of our own National Film School, know how to keep Thoko and Aninka's roles nourished while Sophie runs off with the prime cuts of plot.

Yet *Friends* has life even in the midst of dramatic anorexia. The love-hate vitality Proctor puts into Sophie also energises her picture of South Africa as a land: all that sun-scorched rural beauty side by side with shellshocked urban fragility. If visual nervous energy is the first quality a young director should have – and it is – Miss Proctor's talents are well worth keeping under surveillance.

★

African history plays a nimbler game of hide-and-seek in the Dutch comedy *The Northerners*. The setting is a surreal one-street village in Holland, all that survives of an unfinished housing development floating in a vast plain. Now and then the action spills into a nearby wood where, inter *alia*, young Thomas (Leonard Lucieer) prances about in black-face and leopard head-dress pretending to be Patrice Lumumba (the time is the 1960s) and a runaway black (Dary Some) hides out after escaping from a travelling Missionary Exhibition.

If the setting is odd, the film is odd with knobs on. Writer-director Alex Van Warmerdam seems to be spinning a fable about colonialism: more exactly, about Civilisation versus the Bush. Out in the wood anarchic, savage, magical things happen: from the postman's daily campfire, heating the kettle with which to steam open the villagers' letters, to a lady in the lake, a mad huntsman and a corpse under ice.

Back in the village, all is politeness, hypocrisy and net-curtain voyeurism. The white man's burden of civilised Christian behaviour brings us everything from clandestine adultery (butcher with lady clients in meat locker) to religious delirium (dying housewife tended by a come-to-life St Francis statue) to the two priests with their phut-phutting, black-smoking carnival truck containing the great missionary roadshow.

The film is like a Jacques Tati comedy mixed up with bits of *Coronation Street*. At one moment the action will freeze for a super-sitcom tableau of neighbours in shock: the beehive hair styles lining the street to goggle at the latest Miss Rape-Victim running out of the butcher's shop. At another moment, social comedy spirals into the balletic-surreal as a nymph and swain frolic underwater, or a vulture lands on a deathbed, or a boy walks the village in ten-feet-tall disguise, using a pal as stilts.

*The Northerners* won a deserved Felix (or Euro-Oscar) as Young European Film of the Year. Its wit, verve and nerve lie in its refusal to explain itself. It could be an allegory; it could be a comedy of provincial manners; it could be a homage to Tati. Then again it could be all three, thrown into the Magimix and spun so fast, so deftly, that the audience is left happily clutching at flavours as they fly past.

No such improving exercise in *Undercover Blues*. Here the ingredients thrown into the blender get stuck in the blades and churned to pulp before we reach reel two. Spy thriller, comedy, baby movie, New Orleans travelogue . . .

Kathleen Turner and Dennis Quaid are Mr and Mrs Ex-CIA Spy-person, plus tiresome tot, and Herbert Ross (*Funny Lady*, *The Goodbye Girl*) directs the fun-free shenanigans in which they become enmeshed. These include a Hispanic mugger (Stanley Tucci), a lisping policeman (Larry Miller), an eye-rolling Czech villainess (Fiona "RSC" Shaw), a subplot about super-weapons, a – no, don't go away, I am sparing you the worst.

The cited model for this rubbish was *The Thin Man* movies. But the PR people cannot put that one over on me: I have *seen* the Thin Man movies. Instead of K. Turner, D. Quaid and an underscripted infant, they had W. Powell, M. Loy and a carefully scripted dog. And they had that all-important ingredient – outstanding here by its absence – wit.

But there is always revival corner. This week it offers Alain Resnais's *Providence* (1977) and Jim Jarmusch's *Stranger Than Paradise* (1984). The Resnais is a comedy of ill manners, cracklingly scripted by David Mercer. Sir John Gielgud and Sir Dirk Bogarde play father and son, putting their fingers in the mains socket of life and exchanging literate, high-voltage shrieks across the lawns of France. (Was this the first ever Euro-pudding?)

Jarmusch's film is his best in a downhill-ever-since career. Three loopy young persons, two from New York, one from Hungary, wander the Eastern seaboard looking for wisdom and serenity but finding only the nearest American equivalents. Beautiful boredom; the poesy of banality; the time-space continuum of the inner mind.

**Rites of passage: from top, clockwise: Kerry Fox, Dambisa Kente and Michele Burgers in 'Friends'**

Theatre/Malcolm Rutherford

# Good value with 'January Sales'

The old art of revue has made a triumphant return to London's West End. Kit and the Widow's *January Sales* will remind anyone old enough to remember *Pieces of Eight* which starred Kenneth Williams and took off the old Tory slogan – Don't let Labour ruin it – in the late 1950s.

As a two-man show, Kit and the Widow also owes a lot to the Flanders and Swann style of *At the Drop of a Hat*. And here is the highest compliment of all: *January Sales* does not fall far short of *Beyond the Fringe*, which was the last major revue to appear in the London theatre, and that was in 1961.

By "revue" I mean topical political, social and musical satire with a touch of camp and nostalgia. *Beyond the Fringe* was a breakthrough because it poked fun at the then conventional wisdom, But if you look back, it seems pretty self-satisfied and conservative: very British and very Oxbridge.

*January Sales* has the same merits and defects. The political satire is relatively mild. It treats the present government with affectionate ridicule rather than contempt. There is a lot of undergraduate humour. One very Flanders and Swann song has the refrain "Bottomley, Bottomley, Bottomley," after the health secretary. Schoolboy jokes come in with the Church of England getting its vicars in a twist and "minor canons going off all over the place" and science enters with a version of Noel Coward's old song as "A Womb with a View", including the latest developments on designer babies.

The sharpest political song again comes from Coward. Kit prances magnificently round the stage as Lady Thatcher cursing that she could have been so wrong about John Major – "so bad about the boy".

The harshest political line comes in the course of a song about the new Germany: "Stephen Sondheim – he may be Jewish, but his initials are great". The only weak song in the show, unfortunately much applauded, attacked the French for wanting the Channel tunnel.

No such harshness is applied to the British. The song about the Queen and her family is broadly on her side. John Major is never attacked directly and John Smith is never mentioned. Yet in a British kind of way the satire is effective. Poking fun at the government can be much more devastating than ranting and raving.

Not everything is politics. *January Sales* has the best take-off of Sir Andrew Lloyd Webber – whose *Sunset Boulevard* is playing next door – that you are ever likely to see, bringing out the derivative nature of his music. Yet since Kit and the Widow seem to be such nice people, it is kindly rather than cruelly done.

The revue is down to run for only three weeks. That is absurd. The Widow (Richard Sisson) is the thin one who plays the piano and is developing a good line in diffident jokes. The fat one is Kit Hesketh-Harvey who does most of the singing. Together they are a marvellous team.

**Vandeville Theatre. (071) 836 9987**

Alastair Muir

**Kit and the Widow: top of the form**

# Another crack at the 'Nutcracker'

*Ronald Crichton reviews John Neumeier's version of this difficult – albeit favourite – ballet at the Opéra Garnier, Paris*

*Nutcracker* has been a problem ballet ever since the premiere in St Petersburg 101 years ago. Almost every choreographer of note since Petipa's day has had a go and none has been 100 per cent successful. Petipa himself fell ill and handed over to Ivanov – Hawksmoor to Petipa's Christopher Wren. The ballet's popularity has been due mainly to Tchaikovsky's music. The difficulty has always been the scenario, drawn from a tale by Hoffmann with results inept, ill-structured and largely senseless.

For its end of the year show, the Opéra Garnier presented for the first time in Paris John Neumeier's version, under the old name *Casse-Noisette*. First seen at Frankfurt in 1971, this version makes a serious effort to put things right. The first part is the best. The child Clara becomes the slightly older Marie, celebrating her 12th birthday at home with a party to which her envied older ballerina sister, Louise, has brought some of her friends from the theatre. Among these are young Günther, to whom Marie takes a fancy, and also her ballet-master Drosselmeier.

There are children, but they are kept in the background. The main dancing is done by the teenagers and principals with a bunch of strapping cadets – chums of Marie's brother Franz. All this is greatly to the advantage of the homely, domestic romps. Everything is clear. One does not feel like Ethel Smyth, lured to Sadler's Wells in the early days to see *Casse-Noisette* and overheard asking her companion, "what are they doing and why are they doing it?".

When Marie steals back after the guests have gone to retrieve the nutcracker she has been given, falls sleep and starts to dream, things do not go so well. At this point in the score there begins a long, through-composed sequence embodying at least three embryonic Lisztian symphonic poems, culminating in the impressionist Snowflakes Waltz. Neumeier leaves out the battle of toy-soldier and mice (difficult to set but a necessary musical contrast). The marvellous slow three-four section, richly harmonised and sumptuously scored, perfect evocation of a child's mounting wonderment, is no longer a transition to the snow forest but a pas-de-deux for Marie and Günther, now revealed as a principal dancer.

Neumeier then borrows an interlude from *The Sleeping Beauty* as another pas de deux – for Louise and Drosselmeier. No snow-forest, but an off-white dance studio where Drosselmeier teaches while the music skirls and eddies snowily – and where are the off-stage chorus?

Alexandre Benois (who at the end of his career designed a much-liked *Nutcracker* for Festival Ballet) described the St Petersburg original staging as "hideous" in his diary. Some surviving photographs bear him out. The final scene in the Land of Sweets is a designer-trap. What could be more visually unappetising than enlarged confectionery? Jürgen Rose, who has adapted his designs for the Opéra stage, avoids the trap with a handsome but restrained baroque-style background.

The famous character dances performed in front of it are perfect examples of Tchaikovsky the melodist and colourist: no-one except Bizet and, to a lesser extent, Delibes could approach him here. Neumeier treats them as vignettes based on the titles of long-forgotten Petipa ballets – a little solemn and, in the Chinese Dance so much admired by Stravinsky, a little slow.

The Valse des Fleurs is played before the divertissement, which brings it too near the other waltz scene. As for the Grand Pas de Deux, the ultimate expression in music and movement of the turned-out upward-thrusting, imperious classical style, it suffers from there being too many pas-de-deux in a ballet where one usually feels there are too few. Marie, coyly simpering like Mother Simone in *La Fille mal gardée*, is persuaded to dance the celesta variation while Louise is given an extra solo from *The Sleeping Beauty*. Should not the whole, climactic sequence be danced exultantly in the presence of the whole company, not as here for the sole benefit of Marie and Drosselmeier?

The performance by the soloists – when I saw them, Elisabeth Maurin (Marie), Elisabeth Platel (Louise), Patrick Dupond (Drosselmeier), Manuel Legris (Günther) – and by the corps was admirable. The music with Jonathan Dorlington conducting the Orchestre Symphonique Français, was given full justice. For once the first-act dances were played with as much care as the better-known ones in the second. The sound had a warmth and clarity which were a joy to hear.

**There is a further series of performances from January 19 to 28**

## INTERNATIONAL ARTS GUIDE

### ■ ATHENS

**Megaron** Tonight: Ivan Fischer conducts Budapest Festival Orchestra in Duke Bluebeard's Castle and extracts from Lohengrin. Tomorrow, Sat: Fischer conducts Bartok's Miraculous Mandarin (Hyson Mime Group) and Mahler's Das Lied von der Erde. Jan 24: Nana Mouskouri (01-728 2333/ 01-722 5511)

### ■ BARCELONA

**Palau de la Musica** Vaclav Neumann conducts Czech Philharmonic Orchestra in Bruckner's Ninth Symphony on Sun evening (268 1000)

**Gran Teatre del Liceu** Hindemith's Mathis der Maler opens next Thurs for a run of six performances. Kathleen Kuhlmann gives a song recital on Jan 28, followed by Olga Borodina on Feb 3 (tel 412 3532 fax 412 1198)

### ■ BOLOGNA

**Teatro Communale** Tonight, Sun afternoon, next Tues, Wed, Thurs, Sun: Gianluigi Gelmetti conducts Roberto de Simone's production of L'Italiana in Algeri, with Bernadette Manca di Nissa and Sonia Ganassi alternating as Isabella. Sat: Rockwell Blake sings Italian opera arias. Mon: Tchaikovsky Trio plays piano trios by Mozart, Beethoven and Tchaikovsky (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For information, call 051-529999)

### ■ FLORENCE

Claudio Abbado conducts Chamber Orchestra of Europe on Jan 20 at Teatro della Pergola. Paisiello's Il barbiere di Siviglia opens at Teatro Verdi on Jan 23 for five performances, followed by Rossini's version on Feb 3 (055-277 9236)

### ■ GENOA

**Teatro Carlo Felice** Tonight: Daniel Oren conducts first of nine performances of Fabio Sparvoli's Naples production of Nabucco, starring Ghena Dimitrova and Leo Nucci (010-589329)

### ■ LONDON

**THEATRE**

● An Absolute Turkey: Felicity Kendall and Griff Rhys Jones in Peter Hall Company's new production of Feydeau's farce (Globe 071-494 5067)

● Unfinished Business: Michael Hastings' new play is directed by Stephen Pimlott for the RSC. Now in previews, opens next Wed (The Pit 071-638 8891)

● Macbeth: Derek Jacobi as Shakespeare's Scottish king in an RSC production directed by Adrian Noble (Barbican 071-638 8891)

● Medea: Diana Rigg's performance in the Euripides tragedy won her the Evening Standard Actress of the Year Award when this production first appeared at the Almeida (Wyndham's 071-867 1116)

● The School for Wives: Ian McDiarmid plays Arnolphe in one of Moliere's finest, funniest and most affecting plays. Till Jan 22 (Almeida 071-359 4404)

● The Absence of War: John Thaw stars in David Hare's new play about the Labour Party, in repertory with The Wind in the Willows, Alan Bennett's acclaimed stage adaptation of Kenneth Grahame's magical animal tale (National 071-928 2252)

● Cabaret: Sam Mendes directs one of the great modern musicals, with Jane Horrocks as Sally Bowles and Alan Cummings as Emcee at the Kit Kat Club (Donmar Warehouse 071-867 1150)

**MUSIC/DANCE**

**Covent Garden** This month's Royal Ballet repertory consists of two Kenneth MacMillan productions - Romeo and Juliet (till Jan 25) and Mayerling (from Jan 28). The Royal Opera's production of Carmen is revived on Jan 21 with Denyce Graves, Leontina Vaduva, Neil Shicoff and Barseg Tumanyan (071-240 1066)

**Coliseum** Ivor Bolton conducts a revival tomorrow of Nicholas Hytner's production of Handel's Xerxes, starring Louise Winter and Yvonne Kenny (in repertory till Feb 24). ENO repertory also includes David Pountney's new production of Smetana's Two Widows with Marie McLaughlin and Anne-Marie Owens (till Jan 20) and Die Fledermaus with Vivian Tierney as Rosalinda (071-836 3161)

**South Bank Centre** Ben Stevenson's English National Ballet production of The Nutcracker runs daily except Sun till Jan 22 (071-928 8800)

**Barbican** Tomorrow: City of London Sinfonia presents Mozart programme. Sat: Nicholas Cleobury conducts RPO in Beethoven programme. Sun: tenor Edmund Barham sings Italian opera arias. Mon: London Schools Symphony Orchestra plays Butterworth, Walton and Glazunov. Tues: Cardiff Singers of the World in concert. Jan 21-24: the music of John Tavener (071-638 8891)

### ■ MADRID

**Auditorio Nacional de Musica** Tonight: Lindsay Quartet plays Beethoven string quartets. Tomorrow, Sat and Sun: Jansug Kakhidze conducts Spanish National Orchestra in works by Denisov, Vivaldi and Mahler. Next Tues: Spanish National Chorus in works of the Spanish baroque (01-337 0100)

**Teatro Lirico La Zarzuela** The next opera production is Der Freischütz, opening Jan 22 for a run of five performances (01-429 8225)

### ■ MILAN

**Teatro alla Scala** A new production of Prokofiev's The Fiery Angel, conducted by Riccardo Chailly and staged by Giancarlo Cobelli, opens tomorrow with a cast including Galina Gorchakova, Sergei Leiferkus and Paata Burchuladze (repeated Jan 16, 18, 20, 23, 25, 26, 28). Maurizio Pollini gives a piano recital on Mon. The Nureyev production of Sleeping Beauty is revived on Jan 21 for 10 performances (02-7200 3744)

### ■ NAPLES

**Teatro delle Palme** Tonight: Fone Quartet. Next Thurs: Leonid Kavakos violin recital. Jan 28: Hagen Quartet (081-406011)

**Teatro San Carlo** Sat: Maurizio Arena conducts first night of Sandro Sequi's new production of La traviata, with cast led by Giusy Devinu, Vincenzo La Scola and Roberto Servile. Repeated Jan 18, 21, 23, 26, 29 (081-797 2331)

### ■ PALERMO

**Teatro Massimo** Tonight, Sun (also Jan 19, 22, 25): Gianandrea Gavazzeni conducts Alberto Fassini's production of Roberto Devereux, with Denia Gavazzeni Mazzola and Pietro Ballo (091-6053 315)

### ■ PRAGUE

● David Golub gives a piano recital next Tues at Dvorak Hall, followed by Stamic Quartet on Wed (02-286 0111). Douglas Bostock conducts Prague Symphony Orchestra and Chorus on Wed in Smetana Hall in works by Britten, Vaughan Williams and Holst (02-232 2501)

● Estates Theatre has staged performances of Mozart operas tonight, tomorrow, Jan 19, 21, 25 and 26 (02-228658). National Theatre repertory includes new productions of Dvorak's The Jacobin and Janacek's The Makropoulos Case (02-205364)

### ■ ROME

**Teatro Olimpico** Tonight: Giuseppe Sinopoli conducts Accademia Filarmonica Romana in works by Webern and Schoenberg, with soprano June Card. Jan 20: Bartok Quartet (06-320 1752)

**Gonfalone** Tonight: Vinzenzo Bolognese and Barbara Vignanelli play works for violin and harpsichord by Vivaldi and Bach (06-687 5952)

**Teatro Valle** Sat, Sun, Mon, Tues: Georges Prêtre conducts Orchestra dell'Accademia di Santa Cecilia in works by Saint-Saens and Bizet (06-678 0742/06-6880 3794)

**Universita La Sapienza** Sat: Amadeus Chamber Orchestra plays works by Boccherini, Mozart and Bizet. Jan 22: Cherubini Quartet. Jan 29: Lynn Harrell (06-361 0051)

**Teatro Il Sistina** Mon: Salvatore Accardo, accompanied by Alexis Weissenberg, plays violin sonatas by Schumann, Franck and Strauss (06-5734 4664)

### ■ VENICE

**Teatro La Fenice** Tonight, tomorrow: Oleg Caetani conducts Bartok's Viola Concerto (Reiner Schmidt) and Bruckner's Seventh Symphony. The next opera production is Les Contes d'Hoffmann, opening Feb 3 (041-521 0161)

**ARTS GUIDE**

**Monday:** Berlin, New York and Paris.
**Tuesday:** Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
**Wednesday:** France, Germany, Scandinavia.
**Thursday:** Italy, Spain, Athens, London, Prague.
**Friday:** Exhibitions Guide.

**European Cable and Satellite Business TV**

(Central European Time)

**MONDAY TO FRIDAY**
**Super Channel:** European Business Today 2230; repeated 0630, 0715
**MONDAY**
**Super Channel:** FT Reports 1230.
**TUESDAY**
**Super Channel:** West of Moscow 1230
**Euronews:** FT Reports 0745, 1315, 1545, 1845, 2345
**WEDNESDAY**
**Super Channel:** FT Reports 1230
**THURSDAY**
**Super Channel:** West of Moscow 1230; FT Reports 2130
**Euronews** 0745, 1315, 1545, 1845
**FRIDAY**
**Super Channel:** FT Reports 1230
**Sky News:** FT Reports 2030
**SATURDAY**
**Sky News:** 0330; 1330
**SUNDAY**
**Super Channel:** FT Reports 2230
**Sky News:** FT Reports 1730; 0430

# Aspects of life where money doesn't talk

BOOK REVIEW

**VALUE IN ETHICS AND ECONOMICS**
**By Elizabeth Anderson**
*Harvard University Press. £27.95/$41.95. 245 pages.*

Capitalism has proved more efficient at generating wealth than Marxism or any other economic system. But debate over its ethical foundations is not dead. The latest contribution comes in this stimulating book from Elizabeth Anderson, a philosopher at the University of Michigan.

Though not totally hostile to market economics, Anderson is anxious to combat what she sees as a tendency for commercial values to invade areas of human life where they do not belong. She opposes, for example, making money out of surrogate motherhood, cost-benefit analysis of the environment and privatisation of public services.

Commercialisation can degrade human beings by undermining their autonomy, according to Anderson. This happens when people sell things such as their freedom of action, perhaps via certain types of employment contracts, and their ability to reproduce. Putting a price on too many aspects of life can also restrict people's capacity to enjoy a meaningful existence by reducing all considerations of value to mere utility.

At the heart of Anderson's book is an attack on the theory that people care only about what is useful or pleasurable to themselves. This idea, known to generations of economics students as the axiom of "utility maximisation", is the foundation upon which much classical economic theory is built.

Anderson rejects this proposition as too narrow an explanation of human behaviour. Instead she offers a more complex theory, which acknowledges that people value things not simply because they are useful or pleasurable but for other reasons such as respect, love, admiration or awe.

She argues that this pluralism in the way we value things is central to the richness of life. When an object's utility is the only consideration, then the market is an appropriate institution for valuing it – but not when other considerations such as respect or love come into play.

In fleshing out this thesis, Anderson distinguishes between things that can be properly traded and those which, she believes, should only be given. Examples of the latter category include children, trust, friendship and sexual gratification. To buy and sell these, she argues, is to devalue them. Equally, to treat the environment merely as an economic resource is to ignore the fact that nature is valuable even when it has no practical use to mankind.

Although Anderson's book is hard to read because of its philosophical jargon, it has many strengths. Her pluralistic theory of value provides a broader perspective on the limitations of the market than the traditional leftwing complaint that capitalism leads to an unfair distribution of the fruits of economic activity. Her argument that commercialisation can rob human existence of much of its significance surely has merit.

The book's weaknesses appear when Anderson turns her attention from philosophy to public policy. Her preference is for the state to draw the boundary between what should be traded and what should not.

She is also opposed to the campaign begun in many countries in the 1980s to roll back the frontiers of the state through privatisation. Instead of privatisation, Anderson wants to see greater involvement for community bodies, such as local government and school boards, which she believes would allow people's needs to be determined through democratic debate. She thinks it is more important for citizens to exercise their voices collectively rather than as individuals picking and choosing suppliers of services. She therefore objects to ideas such as education vouchers on the grounds that they would undermine a community approach to schooling.

But such practical conclusions do not obviously follow from Anderson's philosophical analysis. Just because the market is not perfect does not mean that the state can remedy its defects.

For example, although people may be unwise to engage in practices such as prostitution, Anderson does not give convincing reasons why it should be prohibited by the state. Advocates of individual liberty have accepted that freedom includes the freedom to make mistakes.

Similarly, Anderson is too quick to recommend that the state should ban commercial surrogate motherhood on the grounds that it leads to manipulation and exploitation of the genetic mother. If consistently applied, a policy of banning every act that involves manipulation would lead, not only to the criminalisation of most economic activity, but virtually of all politics.

This book would have benefited from exploring a wider range of options for combating manipulation: it might, for example, be better for the state to educate its citizens so they are better able to stand up for themselves than to impose heavy-handed regulations.

A further reason for resisting the knee-jerk reaction of calling in the state to sort out the limitations of the market is that the state has its defects, too. Anderson recognises this, criticising the tendency for power to become concentrated in remote centralised organisations. She believes the answer to such defects is to decentralise power and make the state more democratic. But, although democratic community organisations may be preferable to a centralised state, it does not follow that they are in general superior to the market.

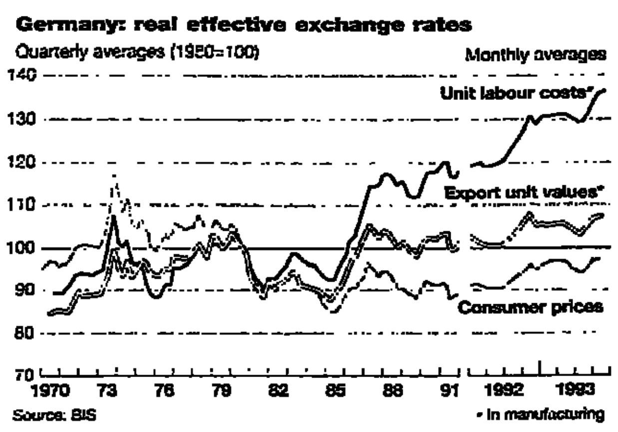
Nevertheless, the book's weaknesses when it comes to public policy should not detract from its philosophical strengths. It is possible to reach different practical conclusions while accepting Anderson's overall theory of value, which provides a useful contribution to debate about the proper scope of the market.

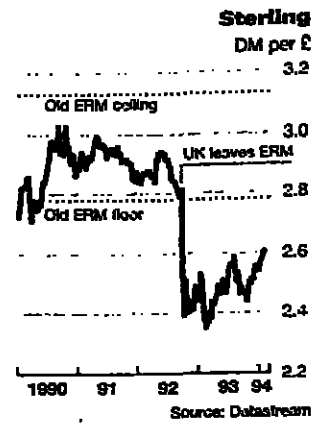
**Hugo Dixon**

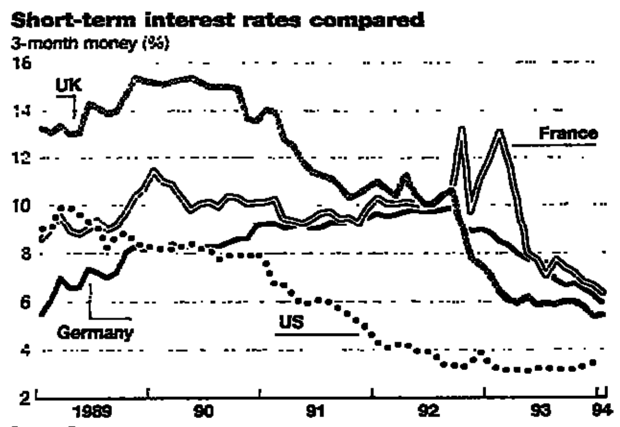
## *ECONOMIC VIEWPOINT*

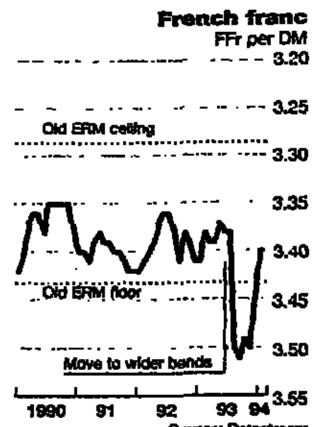
# Competitiveness and currencies

**By Samuel Brittan**




A booklet with the unpromising title *Measuring International Price and Cost Competitiveness* by Philip Turner and Jozef Van't dack, and published by the Bank for International Settlements in Basle, is the most revealing international economic detective story I have seen in years.

It sheds some light on the upsurge in sterling. This has now recovered nearly three-fifths of the ground it lost against the D-Mark at its lowest point after leaving the ERM. But even for those of us who believe in taking the exchange rate fully into consideration in monetary policy, this does not establish a case for a unilateral UK interest rate cut.

The main pressures on sterling in 1992 did not come from uncompetitiveness against the D-Mark or other continental currencies, but against the dollar. But the other and even bigger pressure came from the market's perception that the need to combat the domestic recession would make it impossible to hold British short-term interest rates at anywhere near the very high levels then prevailing in Germany.

The British economy now needs a period of above-trend growth to take up slack. But the December labour market figures suggest that this is already happening, and that not only the mainstream forecasts but even the official estimates of recent production performance are *understated*. To cut UK interest rates unilaterally would not only over-egg the domestic pudding, but could look provocatively like beggar my neighbour.

The main messages emanating from the BIS concern, however, the D-Mark and the dollar. There is a large query over German competitiveness, which was once regarded as a yardstick for the rest of the world. Another conclusion is that the US has had a fantastically easy ride in the international economy and has no excuse for blaming the rest of the world for its own social and economic problems.

The route to these conclusions is through an analysis of "competitiveness". The word is sometimes used in ambitious and mind-boggling ways to express every aspect of a country's economic and even moral performance. It is used in the BIS study for the more quantifiable aspects of a country's price and cost performance in international markets. As such it means the same as the real exchange rate – that is the nominal rate, as it is quoted in the press, adjusted for price and cost changes.

Estimating a real exchange rate or competitiveness index is not simple. The first chart shows why there have been such radically different assessments in the case of Germany. Judged by consumer prices or even export prices, the German real exchange has been remarkably stable. But as the BIS points out, world competition makes it difficult for manufacturers of traded products to move very far from international going prices. The effects of high costs are felt in pressures on margins, as shown by German corporate agonies.

The BIS regards the labour cost measure as the least unreliable; and it is careful to count in not only pay, but all labour overheads. The fact that competitiveness is now an issue is shown by the strenuous efforts of the Bundesbank in its December monthly report to rebut the case for D-Mark devaluation (yes, devaluation).

**A UK base rate cut would over-egg the pudding, and look now like beggar my neighbour**

The origins of German uncompetitiveness go back to the boom of the late 1980s, aggravated by the overheating of the economy in the early stages of unification. German inflation is now all but licked. A sign of the times is the west German chemical workers' settlement, equivalent to an annualised increase of 1½ per cent – below the headline inflation consumer price rise of 3.7 per cent, which has itself been swollen by tax increases. Even more important, the agreement that long-term unemployment workers can be hired at 90 per cent of basic pay rates, shows the first beginnings of a new willingness to price the jobless into work, and to formalise the difference between insiders and outsiders.

Nevertheless the result of past excesses is now built into the German cost structure. Some other European countries which the BIS had reckoned to be uncompetitive improved their position when the narrow ERM exploded. But this left Germany all the more high and dry. The continuing depreciation of the D-Mark against the yen has been the main alleviating force. But there has been no depreciation against the dollar, taking the last four years together, but simply a series of V shapes.

The French franc, like most of the currencies of the EU core, has stayed close to the D-Mark. Indeed the franc has this winter passed the DM3.43 barrier and re-entered the old narrow ERM band. Nor have the monetary results been the disaster that the opponents of shadowing the D-Mark had hoped. Short-term interest rates, at around 6 per cent, are little more than half a percentage point above the UK's, as Prime Minister Edouard Balladur reminds British visitors.

Moreover French costs are lower than Germany's at current exchange rates. The BIS estimates that last October German unit labour costs were 70 per cent above American ones, while French costs were 40 per cent higher, British costs 25 per higher and Italian costs only 7 per cent above. Why then has France lagged behind the UK in economic recovery? Partly because the UK was able to make a sharp early start in reducing interest rates; and partly because the pound became moderately undervalued. The UK could only get away with its effective devaluation because the ERM departure was a market event, unplanned and undesired.

The latest sterling upsurge suggests the tantalising possibility that the pound may follow the franc in approaching its old ERM floor against the D-Mark. Nevertheless, sterling is still 10 per cent down on its trade weighted average, compared with August 1992, thanks to the appreciation of the dollar and the yen.

That appreciation could have further to go. The clear message from all the different BIS computations is that the dollar is still very cheap on any comparison of labour costs or prices of internationally traded products. This fact might increase the case for a concerted reduction in European interest rates, perhaps timed to coincide with the much discussed next Fed tightening. But attempts by European countries to gain or preserve competitive advantages against each other should be avoided at all costs.



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Finance not the key to Russian reform

*From Mr Bijan-Daniel Khezri.*

Sir, More financial aid is not better aid. While proposing that western governments "provide about 4 per cent of Russian gross national product ($14bn) in quick-disbursing funds for socially oriented projects", Jeffrey Sachs and Charles Wyplosz ("How the west should help Russian reform", January 11) suggest a short-term treatment of symptoms rather than a policy taking into account the structural obstacles blocking reforms in the short as well as in the long term.

First, parliamentary appropriations will be difficult to obtain. Recession-haunted western taxpayers are fed up with pumping billions of dollars into non-existent macro-economic structures, paying for western policymakers' inability to develop a coherent co-operative strategy for reform. The policy should consist, financial aid aside, of strong and wide-ranging technical assistance in local institution-building (tax-system, judiciary, banking, etc) trade and business training.

Professors Sachs and Wyplosz believe that "$14bn is surely the most important investment in Russia's democratic future and, thus, in western security"; but Russia's dealings with ex-Soviet republics during the past two years might well indicate that the Trojan horse of Russian expansionism, threatening international security, is a battery of subtle ideology-fuelled power politics manifested in trade and monetary policies, economically suffocating its neighbours to death. The west's stability-enhancing support should focus on the economic and, thus, political survival of Russia's neighbours. A possible policy option might consist of providing incentives to Russia, not politically to abuse energy and monetary monopolies.

A well-established class of corrupt entrepreneurs is building a state of its own within Russia, controlling the wealth of the country, namely the natural resources. It is manipulating the development of all entrepreneurial activity, working partly hand in hand with the government and reducing the country's tax revenue through systematic bribery – though creating some jobs and filling some empty shelves. Under these circumstances, western reform support should be strictly limited to technical assistance, excluding huge financial injections.

Bijan-Daniel Khezri,
*MBH Consulting,*
*18, rue Drouot,*
*F-75009 Paris, France*

## Quintessentially British

*From Mr Antonio Armellini.*

Sir, Joe Rogaly talks ("Major's deadly mantra", January 11) of "wholly legal Italian practices", such as the "sale of honours", the transfer of "redundant officials ... to the lucrative private sector, the boardroom chairs for ex-ministers", and so on. I'm sure the list would have many of my compatriots puzzled; such practices would seem most peculiar in my country and some would indeed be illegal. But then we in Italy used to believe that they were a quintessential – and wholly legal – part of the British scene. Then again, was Joe Rogaly perhaps implying that corruption and impropriety are by definition connected to the idea of Italy and things Italian?

I wonder, since I feel it would be somewhat presumptuous exclusively to endow my country with traits which seem to be so universal and so widely shared, albeit each in our own different ways.

Antonio Armellini,
*minister counsellor,*
*Italian Embassy,*
*14 Three Kings Yard,*
*London W1Y 2EH*

## Not a premium decision

*From Mr Iain C Baillie.*

Sir, There has been considerable criticism of the decision to increase premium bond prizes to £1m and decrease the number of smaller prizes. Perhaps of more concern are the reports that this decision was made on the basis of "gut feeling" by those responsible for the management of premium bonds rather than on any market survey. If this is correct, it is a sad indictment of the quality of management in what appears to be a substantial business enterprise.

Iain C Baillie,
*20 Chester Street,*
*London SW1X 7BL*

*From Mr John H Shimmins.*

Sir, Like other correspondents, I oppose the proposed £1m premium bond prize.

Surely, the fair certainty of winning smaller and more frequent prizes under the current system serves best to cater for the investor's mild gambling psyche and need to have an acceptable alternative to the conventional method of earning a return from a capital sum? The new proposal is strongly gambling-orientated, offering not only an extremely remote chance of winning but also a real financial disincentive through the loss regular small prizes ("interest").

I believe these distinctions reflect the different needs of entirely separate segments of our investing community.

John H Shimmins,
*Birkenweg 12,*
*8472 Seuzach,*
*Switzerland*

## Lack of reality in funding large transport projects

*From Mr P Evans.*

Sir, Your article "Manchester trams beat forecasts" (January 10) correctly highlighted the benefits in combining the public and private sectors in infrastructure investment. We wish Manchester continued success and are adopting an identical approach here in the West Midlands.

The problem is a much more difficult one to solve than suggested since it goes right to the heart of the way the government thinks and the way that the public sector has been financed over the past 14 years.

The big projects currently suggested in the press are still a long, long way from being brought to fruition, due to the requirement to inject an unrealistically high level of private sector finance. If a partnership has to be forged between the public and private sectors then a better understanding of the risks and rewards must be achieved.

It is not the case that private sector finance can be substituted for what should be properly spent by the public sector. A proper partnership is essential.

This view comes from practical experience of attempts to persuade the private sector and the government to invest in the light rail rapid transit scheme for the West Midlands – Midland Metro. This scheme, which represents excellent value for money, has passed the stiffest financial cost-benefit analysis of any scheme submitted to the Department of Transport. The massive benefits the project will give to the West Midlands conurbation far outweigh the requirement for Department of Transport finance.

It is, however, prevented from proceeding due to the continual squeeze on the public sector borrowing requirement. The partnership with the private sector between Centro (the West Midlands passenger transport executive) and the Altram consortium grouping of John Laing and Ansoldo Trasporti is complete. The land for the scheme is being acquired. Significant risks have been transferred to the private sector and a firm contract price agreed with the consortium. We are able and willing to start immediately the government gives the go-ahead.

When the public and private sectors can reach agreement, as we have done, and are ready to start, the government has an excellent opportunity to demonstrate that the "private finance initiative" can be realistically implemented.

We look forward to a quick, positive government decision in order that this particular transport scheme can proceed.

P Evans,
*director of finance,*
*Centro,*
*16 Summer Lane,*
*Birmingham B19 3SD*

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Thursday January 13 1994

# The case for lower rates

Nothing, barring a miracle, would do more to lift the spirits of glum Tory backbenchers than a sharp cut in short-term UK interest rates. The question is whether a prudent chancellor of the exchequer could justify such a cut. The answer is that he could.

The last interest rate cut – by half a percentage point – occurred in the week before the November budget. That rate of interest was judged right against prospects at the time, including the budget. Two questions arise, the first whether subsequent news alters the judgment and the second whether it was sound at the time.

In November, the Treasury thought real domestic demand would expand at an annual rate of 2¾ per cent between the second half of 1993 and the first half of 1994. Over 1994 as a whole both demand and real gross domestic product would be up 2¼ per cent. It also forecast the increase in retail prices, less mortgage interest, at 3¼ per cent in the year to the fourth quarter of 1994.

Nothing learned since then fundamentally compromises this view. The underlying annual rate of earnings inflation has remained at 3 per cent for several months. Growth rates of both broad and narrow money have been accelerating, but not worryingly so. The increase in real GDP in the year to the third quarter of 1993 was 2.1 per cent, little short of the forecast rate for 1994. The exchange rate has been appreciating, though more against the D-Mark than overall. Yesterday's trade-weighted effective exchange rate was only 1.5 per cent higher than on budget day.

## More cautious

One bit of news that might make the Treasury more cautious is the reduction of 137,900 in unemployment during the three months to December. This suggests either that economic growth accelerated in the last quarter of 1993 or that the underlying trend rate of economic growth is lower than most analysts had thought. Either way, the authorities might feel more cautious about adopting a more expansionary policy.

On balance, however, a significant change in the judgment reached two months ago would seem unnecessary. The question is rather whether it was sensible.

The most powerful argument for cutting short-term interest rates substantially – that is, by at least one percentage point – is that economic activity remains well below full capacity on any conceivable measure. With growth in GDP since its cyclical trough running at an annual rate of about 2 per cent, the economy should also be quite as far below full capacity now as it was in early 1992.

## Sensible policy

The extent of the subsequent decline in unemployment argues for caution on that point. Nevertheless, if the principal source of disinflationary pressure is the gap between capacity and actual output, further reductions in inflation would seem guaranteed. Since inflation is also within the government's target range, the sensible policy would seem to be to return to full capacity as swiftly as possible.

The classic mistakes in past policy have been either to overshoot, because of an over-optimistic view of full employment or, as in 1987-88, to approach full capacity too quickly. The tax increases due to go into effect over the next three years and the personal debt overhang make the second risk less convincing. This economy is unlikely to take off like Lord Lawson's rocket.

Overshooting may be a more serious, if longer-term, danger. It is impossible to know at what point the underlying rate of inflation might turn up once more. It is disturbing, for example, that annual earnings inflation, though down to 2¼ per cent in services, is at 4 per cent in manufacturing, even though the labour force fell by 126,000 in the year to the third quarter of 1993, while that in services rose by 198,000 over the same period.

For all that, the disinflationary pressures still at work do provide a strong case for a more expansionary monetary policy. Admittedly, it would be easier to be confident of that advice if institutional changes looked likely to preclude an early return to faster wage inflation. Policy needs to be more credible. If the desirable period of rapid growth is not to end in the traditional inflationary outbreak, independence for the Bank of England remains the right medicine.

# Mr Gore's big picture

A good politician must be able to gaze at the stars but keep his feet planted firmly on the ground. US Vice-President Al Gore has managed to achieve this difficult double trick in his plans for developing an advanced communications infrastructure, which he outlined earlier this week.

Mr Gore's star-gazing involved expanding on his vision of a society where all homes, offices, schools and other community bodies would be connected to electronic "super-highways". Through these, they would have access to a wide range of "multi-media" services which could include information databases, video-telephony and interactive computer games in addition to standard telephony and television.

But the vice-president also kept his feet on the ground by making clear that the bulk of the investment in networks, services and products would be undertaken by private enterprise. He has largely abandoned earlier suggestions that the state might be involved in constructing such networks.

The emphasis on competitive private enterprise is important. It provides the best chance that the vision will be realised, as there is no prospect of finding tens of billions of dollars from state coffers. It also means that investment is likely to be focused on products and services that meet genuine customer needs. A government-sponsored programme could easily have been wasteful, resulting in the provision of services that nobody wanted.

## Dynamic sectors

The telecommunications, cable television, entertainment and computer industries already constitute some of the most dynamic sectors of the US economy. The administration's determination to free them to compete vigorously builds on that strength and should put them in an even better position to perform well in world markets. The spate of multi-media mergers over the past year – including Bell Atlantic's bid for TCI and the battle for Paramount – is evidence of companies' enthusiasm to exploit such opportunities.

The main thrust of Mr Gore's proposed legislative package is a bonfire of the regulations which create artificial barriers between different parts of the media sector. These stem from two main sources. First, the 1984 Cable Act, which restricts telephone companies' ability to provide video services over their networks. Second, the "modified final judgment" which broke American Telephone & Telegraph into one long-distance company and seven regional groups. As part of that ruling, the regional groups known as Baby Bells, were not allowed to provide long-distance services or manufacture equipment because of fears that they would abuse their local monopoly positions to dominate these markets.

## Monopoly concerns

Such restrictions may have been necessary in the interim to enable new players to establish themselves in the cable and telecommunications markets. But they currently serve to limit competition and hold back investment.

This does not mean that monopoly concerns can be dismissed, as the Baby Bells remain dominant forces in their regions. The administration therefore sensibly plans two main measures to ensure fair competition. First, telephone companies will continue to be prohibited from taking over cable groups within their regions. Second, network operators will have to act as common carriers for the multi-media services supplied by their competitors.

Mr Gore also insists that all Americans should have access to the new super-highways at affordable rates, regardless of their income or geographical location. He is anxious to avoid creating a society of information "haves and have-nots" and so plans to require service providers to supply even those whose custom does not represent profitable business. While the social advantages of this policy are clear, the administration will need to be careful not to impose such hefty obligations that it deters investment.

Overall, Mr Gore has set out an attractive platform which should put the US in a good position to take advantage of the opportunities of a multi-media future. The challenge for the rest of the world is to respond in kind. Otherwise, it will find itself falling further and further behind.

# Uncle Sam's super-highway

## In a rapidly changing market, the US is dismantling telecommunications regulations, writes **Martin Dickson**

The US is laying the foundations of a national information "super-highway" with a speed which is surprising even the roadbuilders – and which promises to give the country a substantial global competitive edge.

The key factors behind it are a rush of new technology and the competitive spirit of American capitalism. But Washington is also playing an important part as it struggles to adapt the country's complex and outmoded regulatory framework to the dawning "information age".

The speed of change in both the private sector and government policymaking has been underlined by two significant developments in the first few days of 1994.

● Last week MCI Communications, the innovative long-distance telephone group, announced that it and various unnamed partners would spend $20bn over the next six years, to improve MCI's existing communications network and to start competing for business traffic against America's local telephone monopolies, especially the seven "Baby Bells" which dominate the sector.

MCI is by far the largest of several companies muscling in to this market, and it could present a particularly serious challenge to the local phone businesses: MCI played a key role in an anti-trust court case which 10 years ago forced American Telephone & Telegraph to face competition in the long-distance market and to spin off the Baby Bells as separate companies.

● On Tuesday, Vice-President Al Gore, the administration's main figure on high-technology issues, gave regulatory change a push forward in a speech which outlined for the first time legislation being prepared by the White House, which would establish a new, competitive framework for the various communications industries.

"This administration," he said, "will not let existing regulatory structures impede or distort the evolution of the communications industry."

It was Mr Gore who coined the phrase "information super-highway" many years ago when he was a member of Congress urging government support for high-speed data networks to link researchers at universities and government laboratories throughout the country.

Now the term is used much more broadly, to mean a national system of inter-linked high-speed, high-capacity communications networks which can deliver a large array of inter-active consumer, business and educational services, from movies-on-demand to medical X-ray images.

The US believes that quick deployment of an information super-highway will give it an important competitive edge – for example, by improving industrial efficiency and the quality of education. In his speech Mr Gore challenged industry leaders to begin providing free access to the network for every classroom, library and hospital.

The highway could also give a strong boost to America's already significant exports of communications equipment and expertise. In 1992 it exported some $7bn of telecommunications equipment and had a trade surplus of about $1.2bn.

The government is happy to leave super-highway investment decisions to the private sector. Technology is changing rapidly and no one can predict what services consumers will want most. Fast-moving entrepreneurs will be best able to react to these forces.

Nor does the White House wish to pick industrial "winners" among the seven industries all jostling for a piece of the multi-media pie: telephony, cable television, broadcasting, computing, wireless communications, publishing and even electricity utilities, which are wondering how to capitalise on the power lines they have running into every building.

There is a general belief in both the federal government and the private sector that winners and losers in this industrial revolution are best left to marketplace competition, which is also regarded as the greatest spur to network modernisation, and thus the creation of the "super-highway".

For example, Mr Gore pointed out that AT&T had moved more rapidly to introduce modern digital systems into the long-distance market after this was thrown fully open to competition in 1984.

However, Washington does have two important roles. The first is to simplify the complicated regulatory maze which restricts competition. The second is to establish new public policy goals to ensure reasonable access to the network for all Americans.

The central problem is that America's existing regulatory system reflects a world which is gradually dying: where the Baby Bells (as well as other independent local phone companies) had a monopoly over local telephone traffic. The monopoly was largely natural: in a world of scarce telecommunications resources, there was little room for competing services.

It was also very cosy. Local regulators allowed the phone companies to make a decent return on their investments, provided their prices remained reasonable and they fulfilled an obligation to provide a "universal service" – that is, enabling anyone to have a telephone service in their home at a reasonable cost.

The phone companies have generally achieved this by charging business customers high rates to subsidise artificially low residential rates.

At the same time, the immense financial muscle of the Baby Bells prompted fears that they would use their monopoly telephone profits to compete unfairly in other sectors. Because of this, the court settlement which spun them off from AT&T banned them from the long-distance telephone market, telecommunications equipment manufacturing, and information services (though this last ban was lifted by the courts two years ago).

Similar concerns mean that a 1984 act which regulates the cable television industry bans all the regional telephone companies from owning and delivering video programming in their local area, reinforcing the local monopolies enjoyed by the cable companies.

Now, however, both the telephone and cable monopolies are crumbling. New technology, and in particular the ability to transmit audio, visual and data information in the same digital form, means that the neat distinctions between the industries are blurring.

Entrepreneurial companies from each sector are muscling into eachother's territory, though at every turn they find themselves battering against regulatory barriers.

For example, MCI's new local service will initially be aimed only at business customers seeking direct access to the long-distance market. This is mainly because this market offers better profit prospects, but also because all but four US states forbid competition in the local market for normal telephone traffic. Mr Bert Roberts, MCI chief executive, is promising a war to pry open this market.

Similarly, Bell Atlantic, one of the most innovative of the Baby Bells, had to take court action last year to win the right to compete against the cable industry in its area. It successfully argued that the 1984 cable act was an infringement of its constitutional rights to free speech.

Until recently, it looked as if such turf battles would continue for many years, with each industry defending its monopoly rights and its supporters in Congress blocking efforts at regulatory reform.

However, over the past year a consensus has emerged in both the communications industries and Washington that comprehensive legislation is required quickly to cut through the many, and often conflicting layers of regulation and encourage competition.

The shift stems particularly from a series of takeover bids bringing together cable and telephone companies. The biggest of these, a $22bn deal last autumn involving Bell Atlantic and Tele-Communications, the largest cable company, played a crucial role in reducing hostility between the two industries.

But the shift has also been helped by the Clinton administration. For while President Bush adopted a generally laissez-faire approach to communications regulation, the Clinton-Gore team made the creation of an information super-highway an important campaign pledge.

That said, the administration has not been quick to develop its own communications policy and the bill it is promising will draw heavily on legislation currently before Congress, the product of delicate compromises between House of Representatives committee members.

The so-called Markey/Fields legislation would give new competitors – including cable companies – the right to compete with local telephone companies and use their facilities on a non-discriminatory basis to inter-connect with consumers. The legislation would over-ride state laws impeding this.

At the same time, the regional telephone companies would be free to set up new video services in competition with cable. They would, however, still be banned from buying local cable companies, so that customers would be able to choose from at least two competing multi-media services.

On Tuesday, Mr Gore went a step further with a proposal that multi-media companies be given the opportunity to adopt a special new status, freeing them from many local, state and federal rules, in return for a commitment to "open access" – that is, allowing all providers of programming to use their networks at reasonable cost.

A second piece of legislation before Congress – also endorsed by the White House – addresses long-standing complaints by the Baby Bells that it is unfair for competitors such as MCI to invade their local territory (though the Bells still control all but a tiny fraction of traffic), when they are still barred from the long-distance market and equipment manufacturing. The Brooks/Dingell bill would allow the Bell companies to apply for permission to enter manufacturing after a one-year wait and the long-distance market after five years.

But while the basic principles of legislation are now clear, and have been given a powerful impetus by Mr Gore's embrace, some huge battles loom as Congress tries to flesh out the fine print. These details will have a big impact on companies' investment decisions and profits.

For example, the local telephone companies are concerned about the rules governing the inter-connection between their facilities and those of new rivals. They complain that the Markey legislation goes too far in requiring them to "unbundle" their services – separating out the various features of the telephone network and offering them for sale to the competition. Complains Mr Ron Stowe, a representative in Washington of the Baby Bell Pacific Telesis: "It goes far beyond what other competitors have asked for and, as a general rule, what might be described as essential services."

The cable companies, for their part, do not want to be weighed down by the stringent requirements imposed on the telephone companies to provide a universal service.

A commitment to universal service is basic both to the Markey bill and the White House's legislation. But two fundamental issues have yet to be resolved.

First, how do you do define universal service in a multi-media age? The Clinton administration is stressing the need to prevent the US becoming an nation of "information haves and have-nots", in which individuals are denied access to essential information because of poverty or remote location.

So should universal service consist simply of a telephone line, or include a more expensive basic package of other features – such as access to video information?

Second, how do you fund universal service when the local telephone company has lost the monopoly which buttressed its subsidies?

There is general agreement that a mechanism needs to be found to ensure that all providers of essential services share equitably in the cost of subsidies. And many industry figures argue that the subsidies should be delivered direct to the customer – for example, though vouchers or credits to their bill – rather than going to the communications company, as now.

So the Clinton administration has its work cut out if it is to get legislation through Congress by the end of 1994, as it plans.

The players jostling for position in the information revolution have been squabbling over turf for the past 10 years and are not about to stop now – whatever the harmonious new age noises they and the government are emitting.

**THE ADMINISTRATION'S TELECOMMUNICATIONS POLICY GOALS**

- Encourage private-sector creation of the information super-highway
- Provide open, non-discriminatory access to information
- Promote and protect competition in communications
- Avoid a society of communications "haves" and "have-nots"
- Maintain universal service

# OBSERVER

## EBRD's tasty morsels

■ Time was when the European Bank for Reconstruction and Development knew how to throw a good party. But it sounds like this weekend's get-together of EBRD top brass at an undisclosed destination on the English south coast will not be a hoot.

Three months into the job, EBRD boss Jacques de Larosière has concluded that the problems bequeathed by his predecessor, Jacques Attali, are even more severe than previously thought. Hence pay rises for most staff will be limited to a maximum of 1 per cent this year and top-dog salaries will be frozen. He also wants far more members of his staff to be based in eastern Europe rather than London. Hands up volunteers for Novosibirsk?

But perhaps the cruellest blow is the closure of the EBRD's executive dining room, which sounded like it deserved a Michelin star. Most days de Larosière eats in the staff canteen where he picks up useful tips by chatting up younger members of staff. How long will *that* last?

## Gulag graft

■ Talking of the EBRD, one man hoping to make a killing at the bank's annual meeting in St Petersburg next April is Roger Garside, former public relations chief of the London Stock Exchange. Garside and a couple of cronies are sending themselves to Siberia for three months to scout out promising investment opportunities, salt mines not excluded.

Working out of the Siberian branch of the Academy of Sciences in Novosibirsk, they will prospect for investment opportunities all the way from the Urals in the west to the Kamchatka peninsula. The region has the highest ratio of untapped natural resources per inhabitant anywhere in the world, according to Garside, who hopes to launch the first European investment fund for Siberia. A man in a hurry, he wants to have a portfolio of investment opportunities ready in time to show them off at the EBRD's St Petersburg bash.

Another sign that the fashion for emerging markets is getting out of hand?

## Faith, hope, charity

■ Celebrities rush in where Nato fears to tread. Well, not all of them perhaps. Alan Sealy, a British ex-marketing man who describes himself as an "ordinary bloke", has managed to entice some stars to flock to Southwark Cathedral on January 18 to fund-raise for Bosnia.

Sealy's ad hoc group Sarajevo


Witness is staging what it calls a "multi-faith event". Southwark's Anglican bishop, Roy Williamson, will be joined by his Roman Catholic counterpart, Charles Henderson, along with Orthodox, Moslem and Jewish divines.

But the real crowd-pullers will be actress Juliet Stevenson – reading from the diary of 11-year-old Zlata Filipovic, the so-called "Anne Frank of Sarajevo" – and punk virtuoso violinist Nigel Kennedy. Lesser lights include Bosnian cellist Vedran Smailovic and television newsreader Zeinab Badawi.

But one celebrity has had to pull out. Lieutenant Colonel Bob Stewart, the former commander of the Cheshire regiment with the UN in Bosnia, whose romantic relationship with a Swiss aid worker in Sarajevo caught the headlines, has said he can't make it after all.

## Small print

■ Christopher Fell, a retired pharmacist and keen FT reader with a life-long interest in basic economics, makes a helpful suggestion as to why the current generation of Tory politicians may be getting into hot water over illegitimate children: it is in fact the fault of the *Shorter Oxford English Dictionary*.

Fell points out that the dictionary only carried entries for "condom" and "French letter" in the 1983 addendum of the 1973 edition. "By that time most ministers had finished their education and were in politics . . ." So John Major's emphasis on education in his back to basics message has a private morality spin after all.

## Gnomic Zurich

■ Sir Alan Walters, erstwhile hardline monetarist adviser to Baroness Thatcher when she was prime minister, pops up in the most surprising places.

His latest venture is to take on a directorship at a newish, high-powered Zurich consultancy, Leutwiler und Partners, which has also recruited Arthur Dunkel, the former Gatt secretary-general, as an associate.

The consultancy was set up a little over a year ago by Fritz Leutwiler, retired president of the Swiss National Bank. Another tough monetarist, Leutwiler is also a big Thatcher fan, having once betrayed the rather un-Swiss emotion that "remembering that I am a married man, I love her".

"Strategic advice at a very senior level" is the idea behind the outfit, according to vice-chairman Claude Hankes-Drielsma, so Walters has already been involved, sitting on an economic policy advisory committee set up by Leutwiler for the Kingdom of Jordan. Hankes-Drielsma, a former management committee chairman of Price Waterhouse, says it was "a natural progression" for him to become a director.

Could Leutwiler und Partners be hoping to land a contract with Her Majesty's Government, via Walters? "Not that I am aware of," Hankes-Drielsma responds drily.

Whatever, transport economists clearly travel well.

## Special relationship

■ A disgruntled Metallgesellschaft employee has figured out that his company's exploits in the oil futures markets have subsidised American car drivers' petrol bill to the tune of 2.2 pfennigs a litre.

FINANCIAL TIMES
Thursday January 13 1994



Ferruzzi cash switched to secret account outside Italy, court told

# Vatican bank bribes link alleged

By Haig Simonian in Milan

The role of the Vatican bank in channelling alleged bribes to politicians was disclosed in court yesterday by a key figure in Italy's political corruption scandal.

Mr Luigi Bisignani, the former head of external relations at the Ferruzzi industrial group, said he had used the Istituto per le Opere di Religione (IOR), the Vatican bank, to transfer payments from the company to secret accounts outside Italy.

The IOR achieved notoriety in the early 1980s when it was linked to the collapse of Banco Ambrosiano, the Milanese bank run by Roberto Calvi. He was later found hanged under Blackfriars Bridge in London.

The payments by Ferruzzi are alleged to have been made to obtain the support of politicians for the dissolution of the ill-fated Enimont chemicals joint venture between Ferruzzi's Montedison industrial arm and the state-owned Eni energy group.

The Enimont affair, in which Ferruzzi is alleged to have paid about L150bn ($88.4m) in kickbacks, has become one of the most important strands in the two-year corruption probe.

The scandals have cut a swathe through the Italy's political and business establishment and drawn in most of the country's leading parties.

Making his first public appearance since giving himself up last week, Mr Bisignani, a former journalist with contacts in the Christian Democrat party and the Vatican, said he had acted on the instructions of Mr Raul Gardini, the former head of Ferruzzi, who committed suicide last year.

Mr Bisignani was speaking from the witness box at the trial of Mr Sergio Cusani, a Milanese financier arrested last year as part of the corruption investigations. Mr Cusani, linked to both Mr Gardini and senior members of the Socialist party, is alleged to have acted as a go-between for Ferruzzi and politicians.

The trial, which opened late last year, is the first big prosecution in the corruption affair. It has already involved some of Italy's best-known politicians.

Mr Bisignani admitted he had received about L4bn for his efforts to put Mr Gardini in contact with the IOR.

The bank does not normally take deposits from people with no connection to the Roman Catholic church.

Magistrates leading the investigations flew to Luxembourg for information on alleged transfers from Ferruzzi to local banks.

Mr Cusani subsequently admitted in court that two of the Luxembourg accounts identified as having received L52bn in Ferruzzi money were in his name.

The Milan case, the first in a series of trials, is expected to last several months.

# Democrats add to pressure on Clinton over property funds

By George Graham in Washington

US president Bill Clinton was expected to give in to mounting political pressure yesterday and ask attorney-general Janet Reno to appoint a special counsel to investigate his involvement with a bankrupt Arkansas savings and loan institution in the 1980s.

White House officials had hoped to deflect the mounting controversy over Mr Clinton's investment in Whitewater Development, an Ozark Mountains property venture, and its links to Madison Guaranty, the bankrupt thrift, by turning over all their documents to a Justice Department investigator.

But senators from the president's own Democratic party have this week joined a chorus of his Republican enemies by demanding the appointment of a special counsel, undercutting the White House's attempts to fend off the controversy as mere political feuding.

Senator Robert Dole, the Republican leader in the Senate, stepped up his attack on Mr Clinton by calling for a Senate select committee similar to those which investigated the Watergate and Iran-Contra scandals.

The White House had hoped to delay any further moves on Whitewater until Mr Clinton returned from Russia next week, to avoid distracting from a trip on which administration officials have been counting to improve Mr Clinton's foreign policy image.

A decision last week to hand over documents to the Justice Department backfired when the White House requested a subpoena to ensure that the papers would remain secret.

The Whitewater controversy has refused to go away, and the call for a special counsel may be Mr Clinton's last hope of getting the issue behind him before Congress returns to Washington in a fortnight's time.

The controversy springs from Mr and Mrs Clinton's investment in Whitewater in partnership with Mr James McDougal, owner of Madison Guaranty, an Arkansas thrift. Republicans say Madison, which failed in 1989 at a cost of about $50m to the government, was loosely supervised because of Mr McDougal's political connections and may have channelled money improperly to Whitewater and to Mr Clinton's election funds.

Whitewater appears to have done Mr Clinton little damage so far, with opinion polls this week showing that public approval of his performance as president has remained stable or improved since the controversy emerged again last month.

# Bonn's big hole is a washout

By Quentin Peel in Bonn

**They call it the Big Hole in Bonn: the huge building site on the banks of the Rhine where a whole complex of parliamentary offices is being built, in spite of the German government's plans to move to Berlin by the turn of the century.**

**Now the big hole seems to have become a bottomless pit.**

**The foundations of the DM800m ($465m) complex have been devastated by floods that swept the banks of the Rhine over Christmas. According to reports confirmed by the construction ministry, the floodwaters raised the floor of the building by 70cm, and caused cracks to appear in the concrete piling.**

**The Bundestag's budget committee called a halt to the building programme yesterday and questioned why it was allowed to go ahead at all.**

**Mrs Irmgard Schwaetzer, the construction minister responsible for the move to Berlin, has sacked the chief building inspector for failing to keep her informed, but now faces calls for her own resignation.**

**All this has come on the eve of negotiations between Chancellor Helmut Kohl, the leaders of the main political parties and the mayors of Bonn and Berlin, to decide when and how the big move should take place.**

**At their meeting tomorrow they also have to settle the most important question of all: how much the move will cost. Mr Theo Waigel, the finance minister, who is desperate to contain a swelling budget deficit, told a party meeting on Tuesday that the costs of moving must be kept to DM20bn – compared with earlier unofficial estimates of up to DM30bn.**

**Ms Ingrid Matthäus-Maier, deputy leader of the Social Democrats in the Bundestag and a fierce opponent of Berlin, called for a 10-year delay in the move, saying the figures had been "massaged".**

# Sinn Féin dashes hopes of an early end to Ulster violence

By Tim Coone in Dublin and David Owen in London

Sinn Féin yesterday dashed hopes of an early end to violence in Northern Ireland by saying it would make no formal response to the Downing Street Declaration until at least the end of February.

Mr Tom Hartley, the national chairman of the IRA's political wing, said in Dublin a response would come only after Sinn Féin's so-called "peace commission" had completed a series of public debates and consultations on the peace process in both parts of Ireland. This would take place over the next six weeks.

The statement came as a visit to the province by Mr Malcolm Rifkind, defence secretary, coincided with a fresh upsurge in terrorist violence.

A woman soldier was shot and seriously injured in a republican area of north Belfast. But troops returned fire, arresting two men.

Separately, the IRA said it had "made a joke" of the "colossal sums" spent by the government to armour Crown force vehicles by updating its armour-piercing weaponry. This followed a rocket attack in east Belfast on Tuesday night which left three policemen injured.

Mr Rifkind, who was meeting security chiefs and soldiers, used the visit to hint that the number of troops there could be cut if the IRA responded positively to the UK-Irish declaration. "Obviously, if there was peace in Northern Ireland it would have very important implications for the security force presence which was needed," Mr Rifkind said.

Sinn Féin said the first public debate under its consultation process would be held in Londonderry on January 28. It would be followed by three others in the Republic up to February 19.

Mr Pat Doherty, Sinn Féin's vice-president, said that "numerous groups" had requested meetings with the party, including Protestant organisations in Northern Ireland. He said a second round of meetings might follow the public debates.

This "external consultation" as Sinn Féin calls it, is to take place in parallel with a series of internal party debates.

Mr Hartley confirmed that Mr Gerry Adams, the party president, had written to both the British and Irish prime ministers for "clarifications". Downing Street said yesterday it had not yet decided how to respond.

## THE LEX COLUMN

# Right rate for the jobs

December's sharp fall in unemployment will doubtless encourage the UK chancellor to err on the side of caution on interest rates, a point rammed home by Mr Anthony Nelson, economic secretary to the Treasury. Since the sharp rise in UK equities since the budget has been fuelled by hopes of an early cut in rates, yesterday's 42-point fall in the FT-SE 100 index is understandable – although it seems perverse that shares should take fright at recovery. The foreign exchange market got the message well before Mr Nelson's comments, with sterling rising to its highest level against the D-Mark since the ERM crisis of September 1992.

Sterling's strength may eventually pose a policy dilemma. The unemployment figures show that manufacturers are still shedding labour. That may be a secular trend beyond the control of government, but manufacturing output has also lagged recovery. If industry looks in danger of being priced out of export markets too, the pressure for corrective action would be great. But that point is some way off. Sterling is still well below the D-Mark exchange rate that prevailed before the ERM crisis, while its appreciation on a trade-weighted basis is much less pronounced.

An early interest rate cut designed to hold sterling down could also backfire. If international fund managers are buying sterling for the UK's growth prospects, the pound might actually rise. That amounts to another argument for caution on monetary policy, at least until tax increases start to bite in April. How the economy will react at that point remains difficult to predict. With employment growth concentrated in poorly-paid service sector jobs, though, lower unemployment promises only a limited offsetting benefit to personal disposable income.

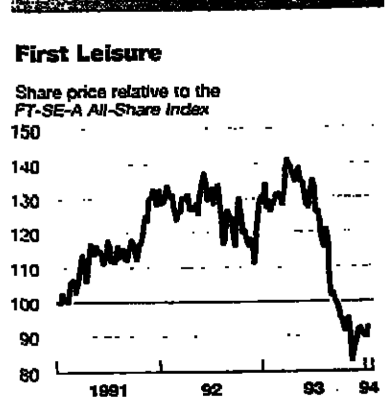
### BP

BP had flagged its intention to move on the petrochemicals business well in advance. The company played a leading role in last year's failed attempts to co-ordinate cuts in European ethylene production capacity, but had equally made it clear that it would act unilaterally if necessary. The decision to shut Baglan Bay's ethylene cracker looks sensible given the plant's high production costs. Nor is BP ceding much to competitors by moving alone, since the Baglan capacity has been effectively replaced by lower cost production at Grangemouth. Other producers will have to make their own cuts if they wish to edge back towards profitability.

FT-SE Index: 3372.0 (-41.8)

First Leisure

Share price relative to the FT-SE-A All-Share Index




Source: FT Graphite

Taking a £200m charge in its 1993 figures allows BP to do a good deal more than simply close the Baglan cracker. It should finance sufficient restructuring for the company to meet its 5 per cent rate of return target for the chemicals business this year. It also usefully trims profits in 1993, when the company has done well, and gives it a fighting chance of improving earnings this year, despite the current weakness in the crude oil price.

That helps BP remain flexible about its dividend. Until the crude price fell in December, the company had been expected to decide whether to start increasing the payment in the first half of the year. Now it can choose whether to argue that difficult upstream and downstream conditions require caution, or that earnings have returned to a stable upward path which permits a modest rise. Either way, a range of options looks badly needed in conditions tougher than any conceived when Mr Bob Horton quit the chair 18 months ago.

### First Leisure

After First Leisure's shares fell nearly 40 per cent between May and November last year, the market could be forgiven for being wary about yesterday's full-year results. In fact, though margins have fallen, they are still more than respectable, ranging up to 42.6 per cent in bowling. Despite a £67.5m write-down on property, gearing is only 13 per cent, making First Leisure a picture of health compared with companies such as Rank. Still, the company has had to make price concessions to keep admissions up in discotheques. Without the benefit of substantial discounts from its beer suppliers, margins would certainly have fallen yet more steeply.

A main worry is that bowling, which still accounts for 39 per cent of operating profits and on which the company made its name, may simply not be so fashionable any more. This is borne out both by the company's admission that it may have pushed margins too hard at the height of the bowling boom in 1992 and by its attempts to stimulate additional interest with trendy extras in its bowling facilities, the latest being Sega games.

The decision to branch out more or less simultaneously into both bingo and health clubs suggests the company is groping for new sources of growth. Both can be adapted to the out-of-town formula which proved successful in bowling, but bingo is a competitive market and health clubs are expensive to maintain. While the jury remains out, First Leisure looks more comfortable on a rating slightly above the market rather than at the 40 per cent premium at which it peaked last year.

### Rémy-Cointreau

Hermès International's forecast of a 21 per cent profit gain for 1993 and Rémy Cointreau's 24 per cent increase in interim net profits suggests the French have kept their taste for the finer things in life, despite recession. But that does not reflect the whole picture. The premium drinks company has continued to face tough markets in northern Europe and Japan and showed a more modest 9 per cent improvement at the operating level.

Rémy has done well to win market share and has even started to reverse Cointreau's dispiriting 10-year sales decline. But it was good export gains in south-east Asia that chiefly enabled Rémy to move forward. Rémy's patience in creating a strong distribution network in China is reaping rewards and the company is now well-placed to push additional brands. The other good news is that the champagne cycle seems to have bottomed, with grape prices having fallen to FFr20.5 per kilo from FFr32 three years ago. Due to the lags in the cycle, champagne producers are still suffering from expensive grapes and cheap selling prices. But both cycles should now start unwinding themselves, leading to a fair margin recovery by 1997.

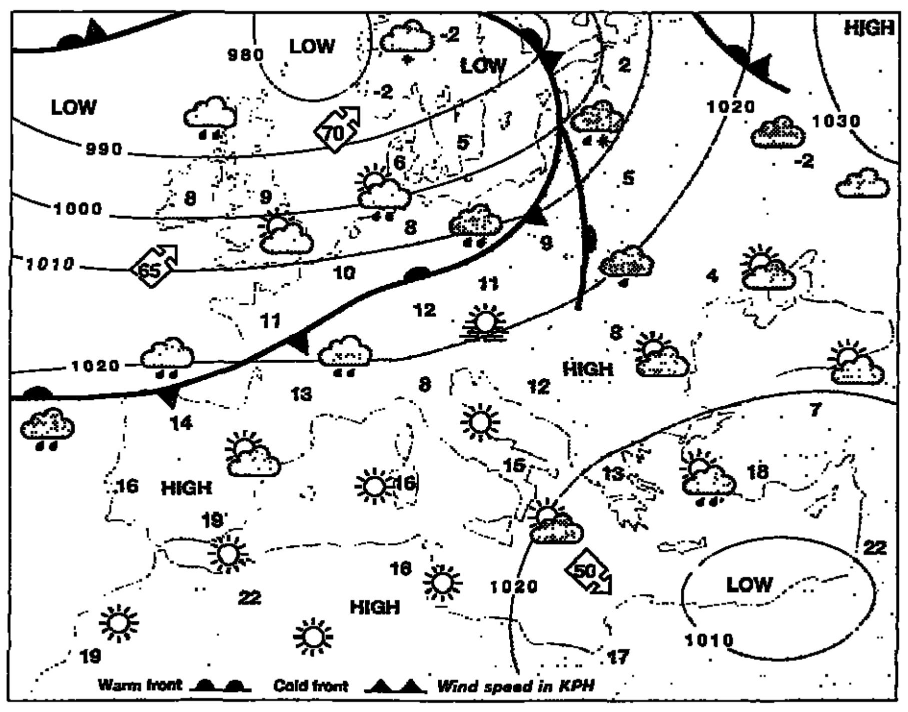
FT WEATHER GUIDE

## Europe today

Windy conditions with cloud and showers will affect the British Isles, Benelux, north-west France and Denmark. Sweden and Norway will have snow with severe frost, but temperatures in southern parts will be around freezing with rain and sleet. A broad belt of rain will cover north-west Spain, France and Germany, extending to north-west Russia. Further south will be mainly sunny, but fog will persist in valleys in the Alps and northern Balkans. Southern Italy will be mainly dry with sunny periods. Greece will be unsettled.

## Five-day forecast

Clouds and rain will gradually move south, but should not cross the Alps and Pyrenees until Sunday. Mediterranean areas will stay sunny and mild. Northern and western Europe will continue unsettled with cloud and showers which will turn wintry. Temperatures will drop with widespread frosts overnight.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands.

TODAY'S TEMPERATURES

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Maximum | Belfast | shower | 6 | Cardiff | windy | 9 | Frankfurt | rain | 12 | Malta | shower | 15 | Rio | rain | 26 |
| | | Celsius | Belgrade | sun | 12 | Chicago | snow | -7 | Geneva | cloudy | 6 | Manchester | shower | 8 | Riyadh | sun | 23 |
| Abu Dhabi | sun | 25 | Berlin | shower | 10 | Cologne | fair | 10 | Gibraltar | sun | 19 | Manila | cloudy | 29 | Rome | sun | 16 |
| Accra | fair | 32 | Bermuda | cloudy | 24 | D' Salaam | fair | 31 | Glasgow | shower | 6 | Melbourne | fair | 24 | S. Frsco | sun | 18 |
| Algiers | fair | 21 | Bogota | shower | 19 | Dakar | sun | 25 | Hamburg | shower | 8 | Mexico City | sun | 20 | Seoul | cloudy | 0 |
| Amsterdam | fair | 9 | Bombay | fair | 32 | Dallas | sun | 17 | Helsinki | sleet | 3 | Miami | fair | 26 | Singapore | shower | 31 |
| Athens | shower | 13 | Brussels | fair | 10 | Delhi | cloudy | 18 | Hong Kong | cloudy | 19 | Milan | hazy | 9 | Stockholm | cloudy | 3 |
| B. Aires | fair | 31 | Budapest | hazy | 5 | Dubai | sun | 25 | Honolulu | fair | 27 | Montreal | snow | -3 | Strasbourg | rain | 14 |
| B.ham | shower | 9 | C.hagen | shower | 6 | Dublin | shower | 8 | Istanbul | cloudy | 13 | Moscow | snow | -2 | Sydney | fair | 35 |
| Bangkok | fair | 35 | Cairo | fair | 22 | Dubrovnik | fair | 17 | Jersey | shower | 11 | Munich | cloudy | 12 | Tangier | fair | 19 |
| Barcelona | fair | 16 | Cape Town | rain | 20 | Edinburgh | shower | 6 | Karachi | sun | 23 | Nairobi | fair | 27 | Tel Aviv | fair | 21 |
| Beijing | fair | 0 | Caracas | cloudy | 28 | Faro | sun | 18 | Kuwait | fair | 22 | Naples | sun | 16 | Tokyo | rain | 10 |
| | | | | | | | | | L. Angeles | sun | 26 | Nassau | fair | 27 | Toronto | snow | -4 |
| | | | | | | | | | Las Palmas | fair | 22 | New York | sun | 5 | Tunis | fair | 16 |
| | | | | | | | | | Lima | fair | 26 | Nice | fair | 12 | Vancouver | fair | 12 |
| | | | | | | | | | Lisbon | fair | 15 | Nicosia | fair | 17 | Venice | fair | 9 |
| | | | | | | | | | London | fair | 10 | Oslo | sleet | 2 | Vienna | hazy | 7 |
| | | | | | | | | | Lux.bourg | shower | 10 | Paris | rain | 11 | Warsaw | rain | 9 |
| | | | | | | | | | Lyon | cloudy | 6 | Perth | fair | 29 | Washington | fair | 7 |
| | | | | | | | | | Madeira | cloudy | 19 | Prague | cloudy | 11 | Wellington | fair | 21 |
| | | | | | | | | | Madrid | fair | 13 | Rangoon | sun | 33 | Winnipeg | fair | -27 |
| | | | | | | | | | Majorca | sun | 18 | Reykjavik | shower | 2 | Zurich | fair | 12 |

FINANCIAL TIMES

# COMPANIES & MARKETS

©THE FINANCIAL TIMES LIMITED 1994 — Thursday January 13 1994



## Alcatel shares fall on forecast of tough year

By John Ridding in Paris

Shares in Alcatel-Alsthom fell more than 12 per cent yesterday after the French-based engineering, transport and telecommunications group warned of lower sales and net profits this year. The shares lost FFr110 to close at FFr792.

Mr Pierre Suard, chairman, did not specify the extent of the expected decline, but indicated that profits would fall more than sales. He confirmed earlier forecasts that net profits last year would be about the same as in 1992 when the group achieved FFr7.05bn ($1.2bn).

Analysts in Paris, however, expected net profits this year to fall more than 10 per cent from the FFr7bn that most estimate for 1993. They had previously anticipated a rise of about 5 per cent in net profits this year.

The sharp fall in the shares was also attributed to the fact that Alcatel-Alsthom has previously resisted the effects of European recession, having increased profits every year since 1986.

In an interview with Les Echos, the French financial daily, Mr Suard blamed the expected decline in profits on a deterioration in some of the group's main telecommunications markets over the past few months. He said conditions in Germany, Italy and Spain were particularly difficult. The economic downturn in Europe had been exacerbated by a "unilateral opening of the European market" and the failure of other developed economies to adopt similar measures.

"The ongoing problems in mature markets, especially Germany, Italy and Spain mean that 1994 will be a difficult year," said Mr Andrew Haskins, electronics industry analyst at James Capel in London. But he said that Alcatel-Alsthom remained in a strong position to benefit from the introduction of new telecommunications technologies, such as broad band transmission.

In spite of his pessimistic predictions, Mr Suard emphasised the strengths of the group and prospects for expansion. He said Alcatel had made progress in diversifying its markets and that the combined European subsidiaries of the group had increased their exports by 30 per cent last year and should raise them again by about 20 per cent this year.

The international telecommunications industry, he said, continued to experience rapid growth, and there was much potential in areas such as broad band transmission, mobile communications, and interactive television. Mr Suard said that Alcatel planned to compete for a third radio-telephone licence to be awarded by the French government.

## Champagne sales push up results at Rémy Cointreau

By Philip Rawstorne in London

Rémy Cointreau, the French drinks group, yesterday invigorated the international drinks industry with a 24 per cent increase in net profits for the six months to September 30 to FFr129m ($21.8m) from FFr103.8m.

In spite of slower growth in the third quarter – mainly because of tax changes in China – turnover for the nine months to December rose 6.2 per cent to FFr4.67bn, led by a 9.1 per cent rise in champagne sales.

Mr Marc Hériard Dubreuil, joint managing director, said: "We are optimistic that full-year results will show an improvement on the previous year. The last quarter generally benefits from the impact of sales in south-east Asian markets, particularly over the Chinese new year."

First-half operating profits rose to FFr357.7m from FFr327.7m on sales 12 per cent ahead at FFr2.68bn.

Growth was achieved in all sectors of the business. Sales of champagne – Piper Heidseck, Charles Heidseck and Krug – for the first nine months totalled FFr556.7m, against FFr510.3m, with a 30 per cent increase in exports to the UK leading a worldwide recovery.

Prices were maintained and margins would improve as the effects of cheaper grapes worked through over the next few years, said Mr Dubreuil.

Cognac sales to end-December rose 5 per cent to FFr1.93bn, in spite of a temporary lull in shipments to China after tax changes in December.

With growth in most leading markets, Rémy has increased its market share to 19 per cent and overtaken Martell as number two in the cognac sector.

Liqueurs and spirits turnover rose 5.4 per cent to FFr1.3bn. Sales of Cointreau rose after a 10-year decline.

The alliance with Highland Distilleries, the Scotch whisky group, continued to prosper. Overall, whisky sales were 24 per cent ahead and Rémy now handles more than half of Famous Grouse exports.

Lex, Page 14

## France to sell off nuclear power group

By John Ridding in Paris

Mr Gérard Longuet, the French industry minister, said yesterday that the government had launched the process of privatising Framatome, the nuclear power station group.

Framatome, which also has activities in computer services and electronic components, is not on the list of 21 publicly-owned groups which the centre-right government has slated for privatisation. It will be sold through a limited tender offer.

Officials at the French economy ministry said the government has instructed the privatisation commission, an independent agency which advises it on the sale of public sector companies, to value its 51 per cent stake in Framatome.

The likely candidates to take a controlling stake in the group include Alcatel-Alsthom, the engineering, transport and communications group, which already holds 44 per cent of the shares.

Mr Pierre Suard, chairman of Alcatel-Alsthom, has made no secret of his desire to take control of Framatome. He believes the two groups would complement each other, with Framatome's strength in the construction of nuclear power stations combining with Alcatel-Alsthom's presence in conventional power generation.

In 1990, Alcatel-Alsthom briefly managed to acquire a majority stake in Framatome, raising its investment from 40 per cent to 52 per cent. But the socialist government of Mr Michel Rocard forced Alcatel to reduce its shareholding.

Framatome was formed in 1958 to design and build light pressurised water reactors and nuclear components. It has since diversified and expanded sales to more than FFr12bn a year. In 1992, the latest year for which figures are available, it reported net profits of FFr900m.

Mr Longuet also said plans were being advanced to establish an alliance between Pechiney, the aluminium group, and Compagnie Nationale du Rhône, the hydro-electricity generator. The alliance is aimed at providing Pechiney with a relatively cheap source of energy and to render the group more attractive in its forthcoming privatisation.

Mr Longuet also confirmed the government's plans to privatise Renault, the state-owned motor vehicle group, later this year. The timetable for Renault's privatisation had been thrown into doubt by the collapse of its planned merger with Volvo of Sweden, but French government officials say that they still seek to privatise the group as quickly as possible.

Michael Jordan's aims have met with scepticism, writes **Richard Waters**

## Westinghouse chairman shows his hand

Mr Michael Jordan has one of the least enviable jobs in US industry. Westinghouse Electric, the struggling conglomerate he was brought into six months ago to salvage, is still suffering from the financial trauma wrought by losses of $5bn it sustained in a disastrous move into financial services in the late 1980s.

Many of its core businesses – led by power systems and defence electronics – face low growth and weakening profit margins. Its shares are languishing at a third of their level of four years ago.

Now, after six months as chairman and chief executive of the Pittsburgh-based group, Mr Jordan has decided to show his hand. The former senior Pepsi executive and one-time McKinsey consultant has this week unveiled pre-tax charges of $750m ($500m after tax) to cover restructuring and lay-offs, as well as a further $376m write-down in the group's equity to meet pension liabilities and other one-off items.

Mr Jordan's plan involves tackling the groups' financial drag on all fronts. It also involves simultaneously restructuring the group's core businesses and raising new capital to finance growth in markets where, he admits, the profit potential is some way into the future. The reaction of Wall Street, which marked down the company's share price again yesterday to $13¼, down $⅞ this week, suggests that this will be a tall order to fill.

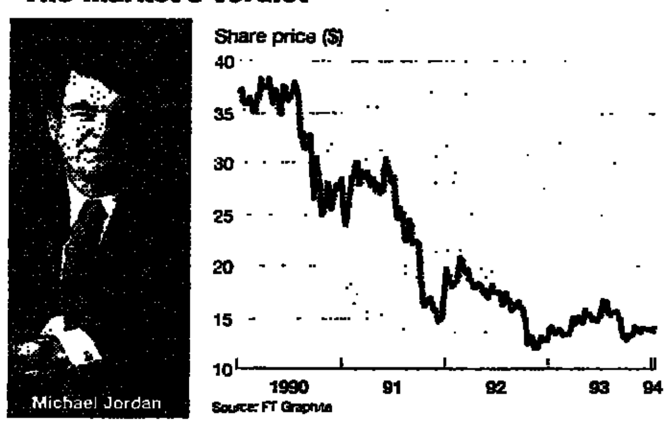
Attempts to extricate itself from the troubles of the past have eaten deep into Westinghouse's capital base. At the end of 1993, shareholders' funds were down to around $1bn, says Mr Jordan (full 1993 figures have not yet been published). That is less than half the $2.2bn of a year before. The company is now on a tight rein from its bankers, whose approval it had to seek before it could go ahead with the write-downs.

Even after the latest clean-out, the company still has $5.2bn of debt, though $1.4bn of this should be paid off shortly with the proceeds from disposals.

Westinghouse also has a growing pension fund deficit. Under pressure from the Securities and Exchange Commission, Westinghouse has been forced to adopt a progressively more conservative accounting approach to its pension fund. These changes have lopped another $255m off its capital base, and forced Westinghouse to issue $200m of new shares to its pension fund to try to stem the shortfall.

To make matters worse, the group's businesses are generally in low-growth areas, and profit margins have been under pressure. And Mr Jordan doesn't even have the luxury of slashing costs to give an immediate fillip to Westinghouse's cash-flow.

### The market's verdict




**Westinghouse, 1992 ($m)**

| | Sales | Operating profit/loss |
|---|---|---|
| Broadcasting | 853 | 160 |
| Defence electronics | 2,874 | 256 |
| Environmental systems | 643 | 71 |
| Power generation | 1,520 | 135 |
| Energy systems (nuclear) | 1,329 | 145 |
| Knoll Group | 578 | (40) |
| Thermo King | 685 | 104 |
| Industrial products | 642 | (17) |
| Westinghouse Communities (property) | 235 | 87 |
| Other | 68 | (73) |

Source: Westinghouse, Salomon Brothers

Attempts at restructuring over the past five years have already reduced the workforce by 20-25 per cent to 54,000 in the group's continuing businesses. There is little fat to be cut, and any further gains will have to come from a more far-reaching reorganisation of the way the group's businesses operate. The new Westinghouse boss has set his sights on three years for pay-back from the latest restructuring costs, and five years to change a corporate culture which he calls "a throw-back to the 1950s".

Against that background, Mr Jordan's plans look ambitious. First, he has attempted to put all of Westinghouse's past problems behind it. Thus the charges this week, which also include reserves to cover litigation and environmental clean-up costs.

With these changes, he promised an end to the traditional "annual surprise" which Westinghouse has sprung on Wall Street at the end of each year. Last year, environmental services were an "unmitigated disaster", he says. Previously, big losses came from financial services. If Mr Jordan can stem the flow of bad news and restructuring charges in future, he will have done much to restore the badly dented credibility of Westinghouse's management.

Second, he has decided to limit disposals and hold on to a wide range of businesses, sticking closely with a partial divestment plan developed in November 1992. There have been one or two changes: Knoll, the loss-making furniture group, will not now be sold because Westinghouse could not get a good enough price for it, while large parts of the environmental business are for sale.

However, Mr Jordan has turned his back on a full-scale break-up of the group, or the sale of any of what he calls its "core" businesses. These include power generation, defence electronics, broadcasting, refrigerated transport services, and the provision of services to the nuclear energy industry.

Third, the Jordan plan envisages investment and growth. To back this, it plans to issue $500m of preferred shares in the first half of this year, which will be converted into ordinary shares at some stage in the future. "Just to sit with our hands in our pockets and wait two years for our balance sheet to improve is not an option," he says.

One business targeted for investment is power generation, an operation with sales of $1.5bn in 1992. Westinghouse believes it can benefit from growing demand in Asia, particularly China. Others are Thermo King (the refrigerated transport business) and broadcasting. Through its ownership of broadcast television stations and a group of radio stations, Westinghouse generated operating profits of $160m in 1992 on sales of $853m, and now aims to become the US's biggest radio group.

Mr Jordan also sees prospects for more modest growth from two of the group's biggest businesses: defence electronics and energy systems, which between them accounted for $4.2bn of its $9.3bn sales in 1992.

He plans to reverse attempts to tilt the electronics business to non-defence areas, betting instead that US defence cuts on hardware spending have reached bottom and that existing projects in which Westinghouse is involved will not be high on the Pentagon's list of cuts. Also, the nuclear power industry needs services to improve its facilities and bring down its costs to be able to compete with other power producers, says Mr Jordan.

Wall Street's reaction signalled its disbelief in what was seen as an ambitious plan. Even before Mr Jordan's public comments, Moody's, the US rating agency, downgraded the group to junk bond status last week. Straining credibility were Mr Jordan's claims that the group could pick itself up from its current lows and expand aggressively in rapidly-changing markets. Commenting on changes in broadcasting, for instance, he said: "We have the ability to be a player in this industry as it reshapes and consolidates."

Some analysts would rather see Westinghouse sell its broadcasting unit and use the cash to concentrate instead on power and electronics.

Mr Jordan does not rule out the prospect of a flotation and partial sale of the broadcasting business in the future. For now, though, the division remains central to his plans to strengthen the group's cash-flow (operating profits at the group are projected to grow at 10-12 per cent a year in future). If he is right, then these earnings will enable the group to pay down its debt, strengthen its capital base and emerge with a broad range of profitable businesses by 1996.

But if Mr Jordan really has bitten off more than Westinghouse can chew, then he is under no illusions about how the market will punish such a mistake. "The honeymoon is now officially over. It's now open season on CEOs again."

## ICI pulls out of Du Pont joint venture

By Ian Hamilton Fazey, North of England Correspondent

Imperial Chemical Industries, the UK chemicals company, has pulled out of IDAC, the $75m joint venture in Germany with Du Pont, which was set up in 1988 to enter the $960m European market for paint used in car manufacture.

The venture, which the American chemicals company will continue alone, failed to reach the 20 per cent market share for which ICI hoped. The price Du Pont is paying for ICI's 50 per cent stake is not being disclosed.

IDAC's annual sales are about DM200m ($115m) to 12 car factories, but the squeeze on costs by manufacturers during the recession has damaged profitability.

IDAC's competitive edge was supposed to be ICI's revolutionary car paint, Aquabase, which uses water instead of volatile organic solvents to carry the paint's pigment and resin. Solvent emissions from paint shops contribute to acid rain as their constituent chemicals break down in sunlight. IDAC's factory will keep its Aquabase licences.

ICI has now developed Aquabase technology to give it a technological lead in car repair paints, a $3bn global market where the company claims to be the world's fifth largest supplier and the biggest outside the US.

Mr John Hirst, chief executive of ICI Autocolor, said the company would concentrate on developing its two strong industrial paint businesses, environmentally friendly can coatings and specialised paints for vehicle repair. It will also continue to milk its profitable cash cow of Dulux decorative paints, which dominate the UK market for architectural coatings.

Paint manufacturers learn lesson, Page 18

# Banco Popular profits climb 7% to Pta58bn

By Tom Burns in Madrid

Banco Popular, the Spanish bank more than 50 per cent-owned by non-Spanish institutional investors, yesterday reported net profits of Pta58bn ($401.5m) last year, a rise of 7.3 per cent on 1992.

The results pleased analysts, who noted that Popular, which has high liquidity and is an important lender to small and medium-sized businesses, was particularly exposed last year to Spain's sharply falling inter-bank rate and to the enduring recession.

The profits, however, continued the downward trend set last year when Popular posted a net income rise of 9.6 per cent against an increase of 15 per cent in 1991.

The tightened margins, as interbank rates fell from 15 per cent to 9 per cent last year, were partly responsible for pushing Popular's return on equity down from 27.77 in 1992 to 25.55 in 1993. Strict credit control by the bank, together with poor domestic demand held growth in loans and discounts at the year end to just 1.5 per cent.

Popular's non-performing loans were up 36 per cent to Pta55bn, against a rise of 28 per cent in 1992. They represented 2.9 per cent of total lending, a proportion which is well under half what is estimated for the domestic banking sector as a whole. Coverage of non-performing loans stood at 103.8 per cent over the mandatory requirements set by the Bank of Spain, against 110.1 per cent in 1992. However, coverage over balances, which includes mortgage values, was raised from 82.6 per cent in 1992 to up to 99.5 per cent last year.

Popular will pay a dividend of Pta790 per share, up from Pta730 in 1992. The payout represents 42.3 per cent of the net income per share, well below the 55 per cent that is normal among other big Spanish banks.

# Lisbon studies Banesto link

By Peter Wise and David Marsh in Lisbon

Mr Anibal Cavaco Silva, the Portuguese prime minister, said yesterday that Lisbon authorities were investigating the possibility that Banesto, the troubled Spanish bank, may have acted illegally in acquiring its holding in Banco Totta e Acores (BTA), Portugal's leading private bank.

Banesto's former chairman, Mr Mario Conde, implicitly recognised that the Spanish bank might have contravened a Portuguese law limiting foreign ownership of BTA to 25 per cent, when he said on Tuesday that Banesto controlled about 50 per cent of the Portuguese institution. He said about half the equity was held directly and the remainder indirectly.

Mr Cavaco Silva said Banesto would be required to reduce its shareholding in BTA if the authorities found that Banesto had infringed Portugal's investment regulations.

Mr Conde was ousted from Banesto's board when the Bank of Spain intervened on December 28. He told a press conference this week that the Spanish bank planned to sell 25 per cent of its stake in BTA in the first half of this year to raise badly-needed funds. However, he expected Banesto to remain BTA's controlling shareholder.

The new management appointed by the Bank of Spain to run Banesto after the intervention has yet to report on Banesto's future strategy. However, it is likely that a disposal of the bank's BTA shareholding, along the lines mapped out by Mr Conde, will be high on its agenda. Banesto officially holds 22.4 per cent of the bank's common stock, part of which is held indirectly through Valores Ibéricos, a Portuguese corporation in which Banesto has a 49 per cent stake.

However, it has built up indirect holdings.

# Fiat and Peugeot unveil range of vehicles

By John Griffiths in Geneva

Fiat and Peugeot Citroën yesterday unveiled a new range of jointly-developed vehicles in which they have invested some $1.5bn. They intend to capture a larger share of the European van market and attack, for the first time, Europe's rapidly-growing multi-passenger vehicle (MPV) sector.

The new vehicle ranges have involved an investment of L1,234bn ($725m) at the Sevel vans joint venture plant, which first came on stream at Val di Sangro in Italy's Mezzogiorno 13 years ago, and FFr6.04bn in Sevel Nord, a new facility to build the MPV, near Valenciennes, which will employ 3,200 people.

Sevel was set up in 1978 with Fiat holding a 50 per cent share and PSA 50 per cent through its Peugeot and Citroën subsidiaries.

The projects have a combined production capacity of 320,000 units a year, of which 130,000 is for the MPV. The 190,000 annual capacity at the vans plant represents an increase to 800 units a day from the 550-a-day capacity limit for the old van models.

The latest Sevel projects represent one of the most complex and extensive collaborative projects to be undertaken between two European vehicle makers.

The van ranges alone were said at yesterday's launch to have 30 different body configurations, with three wheelbases and three vehicle heights. As with the original Sevel project, they will be marketed under Fiat, Peugeot and Citroën badges – as the Ducato, Boxer and Jumper respectively, except in the UK where the Citroën version will be known as the Relay.

The MPV is to be sold under the Lancia as well as Fiat, Peugeot and Citroën badges, although names are not being revealed until the vehicles' launch in the spring.

The new MPV is entering one of the few European vehicle market sectors to enjoy growth last year.

# Euro Disney's week of reckoning

## Rescue negotiations are at a delicate stage, writes Alice Rawsthorn

If all goes well, a team of auditors at KPMG Peat Marwick in Paris should this week put the finishing touches to a preliminary report on the financial condition of Euro Disney, the stricken leisure group struggling to avert bankruptcy.

The report will be distributed to the 60 international banks that own Euro Disney's FFr20.3bn ($3.43bn) net debt. The banks are expected to spend next week scrutinising the report in the hope of later this month starting full-scale negotiations over a rescue package with Euro Disney and Walt Disney, its US parent company.

The critical question as the two sides prepare for the final stage of negotiations is whether they will be able to agree a deal to rescue Euro Disney and to save the EuroDisneyland theme park from closure.

Euro Disney's position is clear. Bruised by recession and crippled by debt, it made a net loss of FFr5.3bn in the year to September 30. It has repeatedly warned that it risks running out of cash. When that happens, the US group has promised to keep EuroDisneyland going – but only until March 31.

If the banks have not agreed a deal by then, Disney will pull the plug. Euro Disney would be wound up, leaving the banks to write off their loans.

Disney, advised by Lazard Frères in New York, has already suggested a solution. It asked the banks at a November meeting in Paris to accept proposals to halve Euro Disney's debt through a FFr5bn rights issue and a debt-for-equity swap. It has also asked Caisse de Depôts, the state financial institution that holds Euro Disney's FFr4.8bn fixed interest rate debt, to reduce the rate payable from the present 7.8 per cent.

Ms Rebecca Winnington-Ingram, an analyst at Morgan Stanley in London, calculates that such a package would "reduce Euro Disney's losses in the 1994 and 1995 financial years" and enable it to produce "a very small profit" in 1996.

Walt Disney is doubtless gambling that it has enough leverage over the banks to persuade them to agree. The French government, which would be loathe to lose over 10,000 jobs at EuroDisneyland at a time of rising unemployment, could use its influence to persuade the Caisse des Depôts and other French creditors – including Banque Nationale de Paris, Indosuez and Crédit Agricole – to accept.

Disney could try to influence US creditors such as J. P. Morgan and Citibank. It has considerable clout in US banking circles, thanks to its policy of holding "beauty contests" for its deals rather than retaining a house bank. If the French and US creditors said "yes", Disney could be reasonably hopeful that the remaining Japanese, German and UK banks (which hold a smaller chunk of the total debt) would fall into line.

The hitch is that the banks are anxious to minimise their exposure by ensuring that Disney is involved with the rescue. "Disney got us into this mess and, frankly, it's going to have to bear its fair share of the pain," said one banker involved with the negotiations.

Disney would, of course, be expected to participate fully in the rights issue. This would represent an investment of roughly FFr2.45bn for its 49 per cent stake. However, it would be reluctant to raise its equity stake further because, under US regulations, it would then have to consolidate Euro Disney's debt on to its own balance sheet.

However, Disney might be persuaded to buy assets, such as its hotels, from Euro Disney, or to use its influence to attract new equity investors. New York analysts report strong demand for Euro Disney's debt on the second-hand market. A FFr130m parcel of debt is believed to have been sold earlier this month in London for 60 per cent of its original value. This suggests that there is interest in Euro Disney as a distressed investment.

However, the banks are determined to force Disney to make concessions by reducing its royalty fee on Euro Disney's revenue worth FFr263m last year. "It's the least Disney can do, particularly as it expects us to take equity," said one. "The structure of those fees will make a tremendous difference to Euro Disney's financial performance."

The banks may also try to protect their investment by insisting on changes in the management of EuroDisneyland. They have asked KPMG to review the running of the park, as well as its finances, to see if Disney's present strategy is the right one.

So far, Disney's conduct of the negotiations has been anything but conciliatory. One banker present at the November meeting described the Disney team as "arrogant and overbearing". "Disney is used to success," said another. "It hasn't had any experience of a mess like this. And it shows."

Recent warnings from Disney that it will close EuroDisneyland if the talks fail appear to have aggravated the situation. "We've gone into this hoping that if we work like crazy over the next few months we can save Euro Disney," said one creditor. "We can do without these threats. Disney's aggressive attitude may be a negotiating ploy, but I'm not sure that it's a good one."

# Resignation at waste group

Shares in Shanks & McEwan fell sharply yesterday after the Glasgow-based waste contractor issued another profits warning, instigated an urgent strategic review and announced that its chief executive, Mr Roger Hewitt, had left the group following a disagreement on future policy, writes Paul Taylor in London.

The shares, which have dropped from a peak of 237p last January, closed 15p lower yesterday at 97p after the group warned that it still faced difficult trading conditions.

# First Leisure ahead 2.3%

By Michael Skapinker, Leisure Industries Correspondent

First Leisure, the UK discotheques, bowling and tourist attractions group, yesterday provided further evidence of the tight grip consumers are keeping on their wallets when it announced pre-tax profits up 2.3 per cent to £31.8m ($47.4m) on turnover up 12.3 per cent to £121.8m.

Mr John Conlan, chief executive, said that while admissions were stable or ahead, spending per head had not.

The only business to show a profits increase was discotheques. Operating profits were £14.5m, compared with £12.5m last year. Turnover was £44.5m, compared with £38.2m in 1992.

Mr Conlan said discotheques were the first part of the group's business to be affected by the recession and were the first to recover.

Profits from the group's resorts fell to £11.7m from £12.3m on turnover of £41.9m, up from £40.1m. The group said resorts outside Blackpool performed well.

Lex, Page 14

# Berlusconi dealt blow as Standa chief quits

By Haig Simonian in Milan

By Mr Silvio Berlusconi, the Italian media magnate, has received yet another blow following the resignation of Mr Gianfelice Franchini, managing director of the big Standa retailing group.

Standa, controlled by Mr Berlusconi's Fininvest group, is Italy's second biggest retailer. The company has been gradually nursed back to profitability following its acquisition by Fininvest in the late 1980s.

Mr Franchini joined Standa in 1992 in a complex deal linked to the acquisition of his family's regional supermarkets chain. In return, Mr Franchini, who has a strong reputation in the Italian retailing business, received a 7 per cent stake in Standa.

This week's split follows differences over the future of the business.

While Mr Franchini wanted to pursue heavy discounting, along the "no-frills" lines of some big German groups, he is believed to have been opposed by Mr Berlusconi and Mr Giancarlo Foscale, Standa's chairman.

# Pakhoed, Lambert Rivière in talks

By Ronald van de Krol in Amsterdam

Pakhoed, the Dutch tank storage company, is negotiating to acquire Lambert Rivière, a French-based chemical distribution company with a market capitalisation of around FFr300m ($50m).

The acquisition would give Pakhoed access to chemical warehouses and depots in southern Europe, expanding its geographical reach. Lambert Rivière, with turnover of FFr1.6bn and a workforce of 500 people, is also active in Italy, Spain and Portugal.

The talks, expected to be completed by the end of March, are being conducted with the Halliez family and other shareholders who together own 80 per cent of Lambert Rivière's shares. Pakhoed said it would launch a public offer for the rest of the shares at the same price and conditions.

Pakhoed, which is pursuing the acquisition through its associate company Univar, is already active in chemicals distribution in the Netherlands, Belgium, Sweden, Singapore, Thailand and the US. The group's main activity is oil storage.

# Fannie Mae posts record earnings in fourth term

By Patrick Harverson in New York

The Federal National Mortgage Association (Fannie Mae) yesterday reported record fourth quarter profits of $493.6m.

It predicted that the US housing market would continue its strong recovery during 1994 thanks to a healthy economy, low interest rates and low inflation.

In the same quarter a year ago, Fannie Mae earned $426.4m.

It was the 24th consecutive quarter of record earnings for the company, which is the largest source of home mortgage funds in the US. Full-year 1993 profits reached $1.87bn, up from $1.62bn the year before.

The company's fourth quarter results were affected by $38.8m in after-tax losses incurred because of the call of debt at a premium and the repurchase of high coupon debt. The latest figures, however, also included $28.3m in pre-payment fees from a special multi-family loan refinancing programme, and a $15m contribution to the Fannie Mae Foundation.

Mr James Johnson, Fannie Mae chairman and chief executive, hailed 1993 as an "outstanding" year. He said the company was able to service a record 3.3m families through mortgage purchases and security guarantees.

Net income rose sharply during the year because of three main factors: a 22 per cent increase in Fannie Mae's net mortgage portfolio to $190bn; a 45 per cent increase in REMIC (real estate mortgage investment conduits) fees to $125.5m; and an 11 per cent increase in the balance of outstanding mortgage-backed securities to $496bn.

Also during 1993, the number of foreclosed properties acquired by the company rose 20 per cent to 11,557, but the single-family delinquency rate, a key indicator of credit quality, declined over the year.

The quarterly and annual results had no impact upon Fannie Mae's share price which was down just $⅛ at $84 on the New York Stock Exchange in early trading.

● The Student Loan Marketing Association said its student loan purchases rose to $6.7bn in 1993, up $1bn from 1992, Reuter reports from Washington.

"That enabled us to hold our share of what was a rapidly growing market in 1993 despite low interest rates and a slow economy that made it more attractive for originating lenders to retain their loan production," said Mr Lawrence Hough, Sallie Mae president and chief executive.

# IBM heads list for US patents

By Louise Kehoe

International Business Machines ranked first in the number of US patents awarded in 1993, the first time since 1985 that an American company has headed the list.

It received 1,088 patents last year, followed by Toshiba, Canon and Eastman Kodak, according to IFI/Plenum Data, a market information service.

In 1992, IBM received 842 patents and the top four companies in the US patent stakes were all Japanese.

IBM began a concerted effort to increase the number of patents it receives in the early 1990s. These efforts are now beginning to bear fruits, the company said.

"This ranking demonstrates IBM's continued leadership and dedication to innovation and leading-edge technologies," said Mr Marshall Phelps, IBM vice-president, intellectual property and licensing services.

The IBM patents were almost exclusively in the field of information processing, with an increase in software-related inventions.

Examples include several multi-media patents as well as patents for a folding computer keyboard, new types of data storage systems and an environmentally safe solvent.

"IBM continues to believe that it has the world's strongest portfolio of patents in the information processing field," Mr Phelps said.

● IBM said *IBM PC* has formed a new unit to increase its commitment to the US federal marketplace.

It said IBM PC Co Federal Channel will focus exclusively on federal products and requirements to meet the specialised needs of federal customers.

# Tandy to create 3,600 jobs with 30 new stores

By Louise Kehoe in San Francisco

Tandy, the US electronics retailer, is to open 30 new stores this year, creating more than 3,600 jobs in the US. The company forecast increased growth and profitability for the year.

Last year, Tandy divested its manufacturing operations to focus on retailing. The company is the largest electronics retailer in the US with around 6,900 stores and dealer franchise outlets.

"Driven by new store openings and innovative services ideas, 1994 should provide excellent sales growth for Tandy," said Mr John Roach, chairman and chief executive.

Tandy's expansion plans reflect strong sales of personal computers and related products.

The new stores to be opened this year include 24 new Computer City SuperCenters, which will employ approximately 1,600 people.

In addition, Tandy will open six new Incredible Universe consumer electronics superstores, creating about 1,800 jobs. The company added that it would add about 200 employees to its infrastructure and financial departments.

Tandy recently reported an 18 per cent increase in sales at its US retail operations to $687m for the month of December 1993, compared with $581.4m in the same month a year earlier.

# Wall Street brokerage in property link

Smith Barney Shearson, the Wall Street brokerage house, has formed an alliance with Remsen Partners, the property financing group, that will provide funds for the US commercial property market, writes Patrick Harverson.

Remsen will arrange mortgages on commercial property funded by Smith Barney which the brokerage firm will sell as mortgage-backed securities.

The partners said they had put together more than $100m in mortgage loans, and expected the venture to generate $1bn in financing before the end of the year. For Smith Barney, owned by Travelers, the financial services group, the aim of the alliance is to boost its presence in the large US mortgage-backed securities market by linking up with Remsen's network of property owners and mortgage bankers.

## NEWS DIGEST

### Asarco sells Australian unit stake

Asarco, the New York-based integrated copper producer, has sold its remaining 45.3 per cent interest in Asarco Australia, for $79.5m, writes Laurie Morse in Chicago.

After taxes, the company expects to realise $31.9m from the sale.

The company sold a 9.9 per cent interest in the Australian venture in the third quarter for an after-tax gain of $5.4m.

Asarco Australia operates the Wiluna and Jundee gold mines in Western Australia, which in 1992 produced 110,000 troy ounces of gold.

Asarco intends to use the proceeds of the latest sale to reduce corporate debt.

It has recorded losses in recent quarters, pressed by the costs related to US copper mine and processing expansions and by depressed prices for copper and other minerals.

### Int'l Paper turns in 15% advance

International Paper, the diversified US paper, packaging and wood products company, reported fourth-quarter net earnings of $100m, or 81 cents a share, up 15 per cent from $87m, or 71 cents, before extraordinary charges in the fourth quarter a year ago, writes Laurie Morse.

The earnings advance came on strong performances by the company's forest products and specialty products businesses. However, sales for the quarter were flat, at $3.4bn.

Mr John Georges, chairman, said the results continued to be deflated by weak worldwide price levels in most paper and packaging products.

Excluding special items, International Paper had earnings of $314m, or $2.54 a share, for the full fiscal year 1993, down from $405m, or $3.34, in 1992.

The company recorded sales of $13.7bn in 1993, little changed from 1992.

### Caisse de Depôt investments

Quebec's public sector pension fund manager, the Caisse de Depôt, has invested C$108m (US$82m) in a limited partnership managed by New York's Blackstone Group and in the British Schroder Buy-out Fund III, managed by Schroder Venture, writes Robert Gibbens in Montreal.

Blackstone invests in US corporate buy-outs, reorganisations and recapitalisations.

# Laidlaw shifts focus to core

By Bernard Simon in Toronto

Laidlaw, the Ontario-based waste services and passenger transport operator, is pursuing a new relationship with ADT, the security and vehicle auction group, and Attwoods, the UK-based waste services operator. The move is part of a strategy to focus on its core North American businesses.

Laidlaw is the largest single shareholder in both companies, with 24 per cent of ADT and 35 per cent of Attwoods.

However, Mr Jim Bullock, who took over as chief executive last October, said yesterday that there was "no merit in Laidlaw being a minority shareholder in companies in which it has little or no input into the day-to-day management and operation".

Laidlaw has the option of disposing of its ADT stake in five years by tendering the shares to redeem a series of convertible debentures issued last month. Mr Bullock's remarks suggest that it will seek a buyer for the ADT stake before then.

Laidlaw will no longer include its share of ADT earnings in its income statement. The Bermuda-based company contributed $5.7m, or 2 cents a share, to Laidlaw's earnings for the three months to November 30.

Net first-quarter earnings slipped to US$38m, or 14 cents a share, from $48.9m, or 18 cents, a year earlier. Revenues rose by 6.5 per cent to $546.2m.

The 22 per cent drop in earnings came despite a 6.5 per cent rise in revenues to $546.2m. The setback was blamed on a combination of problems in its hazardous waste business, lower income from equity investments and higher interest costs.

Operating income from solid waste and passenger services was little changed. But hazardous waste income tumbled to $11.4m from $19.3m, and margins from this segment narrowed to 8.8 per cent from 16.1 per cent.

The drop was due mainly to disruptions at the flagship Pinewood landfill site in South Carolina, and a decline in Canadian business. Pinewood is expected to return to prior levels of profitability later this year.

# Hilton Hotels expects rise of 20% in quarter

Hilton Hotels could record a net income increase of more than 20 per cent in the fourth quarter ended December 31, despite taking a $12.5m reserve, said Mr Raymond Avansino, president and chief operating officer, AP-DJ reports from Beverly Hills.

The US hotel and casino company expects to report quarterly net income of 64 to 70 cents a share, or about $30m to $33m, compared with 55 cents a share, or $26.5m, in the year-ago quarter. Revenue is expected to rise to between $356m and $366m, against $336m a year ago. The reserve, about 16 cents a share after tax, stems from a loan made to a hotel managed by Hilton.

# Emirates airline discloses results for the first time

By Paul Betts, Aerospace Correspondent

Emirates, the fastest growing Middle East airline, which yesterday won the Executive Travel Magazine "Airline of the Year Award," made a net profit of Dh10.6m ($2.9m) for the year ending March 1993 on turnover of Dh1.8bn.

Mr Maurice Flanagan, the Dubai-based airline's managing director, yesterday disclosed its financial performance for the first time since the Dubai state-owned carrier was set up nine years ago.

He said Emirates had operated profitably every year since its constitution except in its second financial year, ending March 1987.

The airline expects net profits to increase in the current year, although the total would depend on its expansion plans, Mr Flanagan said.

Net profits for 1992-93 were sharply lower than the Dh67.5m reported for 1991-92 on turnover of Dh1.46bn.

Although 1991-92 coincided with the Gulf war and the most difficult year in the airline's short history, the record profits that year reflected the fact that Emirates continued to operate all its flights to Europe and to India and south-east Asia.

"Although the market diminished significantly during the Gulf war we massively increased our share of the market," Mr Flanagan said.

The lower profits last year reflected a 54 per cent increase in the airline's capacity at a time when the rest of the world airlines industry was seeking to reduce expansion.

Emirates now flies to 32 destinations and expects passenger numbers to increase from 1.7m in the year to March 1993 to more than 2m in 1993-94.

Mr Flanagan said the airline received no subsidies from its government shareholder and was expected to operate under the same tough financial conditions as other market driven companies. "We get no favours from our owners," Mr Flanagan insisted.

The airline and its associate airport activities employ 7,800 people and operate a fleet of 13 Airbus wide-body A310 and A300 aircraft and two Boeing 727 narrow-body aircraft.

The airline also has firm orders for seven Boeing 777 wide-body aircraft and options for an additional seven, all powered by Rolls-Royce Trent engines.

Mr Flanagan said Emirates was planning to expand its services to London next summer, with additional flights to Gatwick on top of the two daily services to Heathrow. In the longer term, the airline is considering using its new Boeing 777s to start non-stop services from Dubai to New York.

# Hongkong Land bond issue raises $360m

By Louise Lucas in Hong Kong

Hongkong Land Holdings, Jardine Matheson group's property investment arm, has raised US$360m through a convertible bond issue to fund general corporate requirements, including commitments from Trafalgar House and development of the colony's Container Terminal 9.

The seven-year bond will carry a coupon of 4 per cent and a conversion price of HK$31.05 – a 15 per cent premium over the current market price.

The bond was initially planned to raise US$300m, but this was lifted to US$360m. Approval is being sought to list the convertible bonds on the London or Luxembourg stock exchange.

Mr Ian Durant, finance director of the company, said the issue was in line with Hongkong Land's aim of diversifying sources of funding.

# Alcoa of Australia posts 50% profit rise

By Nikki Tait in Sydney

Alcoa of Australia, the alumina producer owned by Aluminum Company of the US and Melbourne-based Western Mining Corporation, yesterday reported a 50.4 per cent surge in profits after tax but before abnormal items for 1993, to A$389.4m (US$268.69m).

Earlier, its US parent reported a loss of US$16.7m, or 28 cents a share, for the fourth quarter, blaming a continued fall in prices for primary aluminium and aluminium sheet used for drinks cans.

Alcoa of Australia warned that the outlook for 1994 was far less encouraging.

"The prolonged recession, inventory problems in the industry and consequent depressed alumina and aluminium prices present a very difficult start to 1994," it said.

Inter-government negotiations over how to deal with the industry's over-production problems are expected to take place in Brussels next week; weak demand and increased aluminium exports from Russia have sent prices tumbling to record lows in recent years.

Alcoa of Australia's progress last year came on sales revenue virtually static in domestic dollar terms, A$2.19bn against A$2.17bn last time. However, the company said that this masked higher shipments and a lower exchange rate. Export revenue totalled A$1.87bn, compared with A$1.85bn in the previous year.

At the operating profit level, the company saw a 35.3 per cent improvement to A$584.8m, helped by improvements in productivity and lower raw material costs. After tax and abnormal items, which generated a tax-related gain of A$59.7m, Alcoa's profit reached A$449.1m, compared with A$258.9m last time.

In the final quarter of the year, net profit after tax reached A$88.9m, against A$55.3m, but Alcoa said the alumina production rate was cut by 6 per cent during the period because of decreased demand. This, in turn, raised unit costs.

# Paint manufacturers learn the oldest lesson of all

## A sector shake-up has shown that the customer must still come first, reports **Ian Hamilton Fazey**

New technology is not enough. Without a network of customers to sell to, innovators are doomed to licensing.

*So said Mr Alex Ramig, one* of the US's most respected industrial chemists, when discussing ICI's pollution-reducing car paint Aquabase in 1991.

Yesterday, his words proved prophetic – although Mr Ramig, who was picked up by ICI when it bought the US paint giant Glidden in 1986 and now heads paints research, was part of making them so.

ICI has withdrawn from a joint venture to provide paints for European car makers, leaving Du Pont, its US partner, to go it alone with an Aquabase licence. Du Pont already has a network of customers in the US on which to base a marketing strategy.

ICI quit after a four-year programme to adapt Aquabase – which uses water instead of organic solvents – for the vehicle repair market. It already has a customer network of thousands of vehicle repair shops worldwide and thinks it will do better. The move marks the latest stage of a 12-year reorganisation of world industrial paint markets.

Industrial paints are high technology products, and big business. Modern anti-corrosion guarantees rely on a vehicle's paint, and paint used during manufacture in Europe alone is worth about £650m ($969m) a year. Vehicle repair worldwide generates annual sales of about £2bn.

As manufacturers of vehicles, televisions sets, video recorders, and consumer durables "went global" in the 1980s, their suppliers – paintmakers included – were forced to follow suit. The result was a rash of mergers and acquisitions as giants such as ICI and Courtaulds of the UK, PPG and Du Pont of the US, BASF and Herberts of Germany and Akzo of the Netherlands, bought their way into national paint markets around the world.

A vigorous shakeout is now under way. Research and development has to be continuous and is expensive: each company is concentrating on markets where it has the best prospects, shedding businesses which cannot justify their consumption of working capital.

Even the acquisitive Netherlands chemical company Akzo – which last year bought Sweden's Casco Nobel, which in turn had swallowed Beckers to dominate Scandinavian markets – is trying to sell its European manufacturing automotive coatings business to PPG, the world market leader.

Mr Austin O'Malley, who heads PPG's European paints operations, said yesterday the deal was now only waiting for the approval of the Netherlands and Belgian governments. Go-ahead will trigger big PPG investment in Akzo's former plant and laboratories.

*Courtaulds, best known for* the International Paint brand of marine coatings, has turned itself into a transportation sector specialist. It bought ICI's aircraft painting business in 1992. It is also a leader in powder coatings – which use no solvents, so are the most environmentally friendly of all.

ICI decided to go for powder markets, too. In 1992 it tried to merge its powder business with Ferro, the US leader, but withdrew after doubts over management structure and capital needs. It then sold the business to Ferro.

The lesson – that technology alone does not make a market – is shown in an ICI success story. Glidden developed an environmentally friendly, inert, tasteless, water-based lacquer for spraying the insides of aluminium drinks cans, which separates the contents from the metal of the can and ensures that the drink tastes the same worldwide.

Thanks to Glidden's long standing as a supplier to the canning industry, and ICI's similar position in the rest of the world, ICI now has 44 per cent of the US market and 32 per cent in Europe.

# PosGold adds to Aztec bid

By Nikki Tait

Poseidon Gold, part of Mr Robert de Crespigny's Normandy Poseidon mining and minerals empire, yesterday submitted expanded offer documents for Aztec Mining Company to the Australian Securities Commission in an effort to acquire the medium-sized mining house for A$261m (US$180m).

PosGold's move came after the federal court in Sydney declared invalid the bidder's previous "Part A" statement, one of the formal bid documents required in Australian takeovers.

Aztec's directors, who oppose the bid, claimed that PosGold should divulge more information in specific areas; these ranged from PosGold's sources of finance to Normandy Poseidon's relationship with the South African Anglo-American group and the bidder's plans for Aztec's base metal interests.

PosGold said yesterday that it had decided to lodge the expanded document in an effort to expedite the bid, although it added: "PosGold remains of the belief that none of the matters raised by Aztec . . . were sufficient to affect the validity of its 'Part A' statement". It said that additional information had been provided in various areas requested by Aztec, including funding arrangements and the Anglo-American relationship.

Aztec directors will now have approximately two weeks to consider the new document before it is sent out to shareholders. They would be free to raise fresh legal objections if they felt the information was still deficient.

# Bumper crop of US offers makes 1993 record year

By Sara Webb

Last year saw a surge in new international equity issues, making 1993 a record-breaking year with a bumper crop of share offerings from US companies, as well as privatisations in Europe and some emerging market countries.

Altogether, new international equity issues raised $38.78bn, a 71 per cent increase on the $22.67bn of 1992, according to IFR Securities Data. Investment bankers expect international equity offerings to continue to boom in 1994.

**INTERNATIONAL EQUITY ISSUES**

Low US interest rates and the prospect of declining rates in much of Europe encouraged investors to look for higher returns elsewhere, with the focus on the rallying stock markets in the main industrialised countries and some emerging markets.

The US topped the league table of issuers, with $10.1bn of new issues. Argentina jumped to second place with a total of $2.88bn following the privatisation of YPF, the country's oil and gas company, in June, when the state sold 45 per cent for $3.04bn, including a $2.28bn international tranche.

Spain ($2.83bn), France ($2.59bn), Mexico ($2.38bn) and the UK ($2.03bn) saw substantial issuance, with privatisations providing the lion's share.

France saw privatisation issues from BNP, the banking group, and from Rhône-Poulenc, the chemicals group, while Spain saw substantial issues from Argentaria, the banking concern, and Repsol, the energy and chemicals group, and the UK government sold its remaining 22 per cent of British Telecommunications.

In addition, a handful of European companies launched Initial Public Offerings for their US subsidiaries to take advantage of US stock market conditions.

For example, Finmeccanica, the Italian state-controlled engineering group, launched US IPOs for minority stakes in its Union Switch Signal and Elsag Bailey Process Automation subsidiaries; Outokumpu, the Finnish mining and metals group, sold OM Group, its US speciality chemicals subsidiary, through an IPO in the US; and Trygg-Hansa SPP, the Swedish insurance group, launched an IPO for its associate Home Holdings.

Mr Hank Erbe, equity syndicate manager at Lehman Brothers in London, says these IPOs provided "opportunistic ways to raise funds" as companies saw their assets could get better valuations in the US.

As for 1994, bankers hope to see the privatisation bonanza continue in Europe, with France and Italy expected to provide the main candidates, while Latin America and the Far East should also generate plenty of new issues for emerging market investors.

"The key to new issuance will continue to be the interest rate environment and the increasing internationalisation of US investor portfolios. As yields decline across the curve, we will see further flows into equities," says one banker.

**TOP INTERNATIONAL EQUITY BOOKRUNNERS**

| | 1993 | | | | 1992 | | | |
|---|---|---|---|---|---|---|---|---|
| Manager | $bn | Rank | % | Issues | $bn | Rank | % | Issues |
| Goldman Sachs | 5.449 | 1 | 14.06 | 61 | 3.733 | 2 | 16.47 | 53 |
| Merrill Lynch | 4.644 | 2 | 11.98 | 70 | 2.618 | 3 | 11.55 | 35 |
| Morgan Stanley | 3.323 | 3 | 8.57 | 30 | 3.845 | 1 | 16.96 | 44 |
| SG Warburg | 3.287 | 4 | 8.48 | 21 | 0.907 | 7 | 4.00 | 8 |
| CS First Boston | 3.211 | 5 | 8.28 | 32 | 1.477 | 5 | 6.52 | 30 |
| Lehman Brothers | 2.400 | 6 | 6.19 | 54 | 1.765 | 4 | 7.78 | 35 |
| Salomon Brothers | 1.442 | 7 | 3.72 | 26 | 0.407 | 12 | 1.79 | 10 |
| JP Morgan | 1.324 | 8 | 3.41 | 8 | 0.745 | 9 | 3.29 | 4 |
| BZW | 1.269 | 9 | 3.27 | 10 | 0.263 | 18 | 1.16 | 7 |
| HSBC | 1.121 | 10 | 2.89 | 5 | - | - | - | - |
| Industry totals | 38.779 | | 100 | 492 | 22.673 | | 100 | 357 |

Source: IFR Securities Data

## INTERNATIONAL CAPITAL MARKETS

# Hectic trading as borrowers rush to take advantage of low rates

By Conner Middelmann

The recent flood of Eurobond issues showed no sign of abating yesterday as borrowers rushed to take advantage of low funding rates while investors continued to buy heavily in the hope that yields would continue to decline.

Most of the activity took place in the Eurosterling market, which saw £950m of fresh supply, and the reviving Ecu sector, where more than Ecu1bn of new bonds were issued. In total, some 25 issues were launched.

Barclays Bank kicked off a hectic day in the sterling sector with its £500m of 10-year bonds via joint lead managers BZW and Salomon Brothers. The bonds were priced at 30 basis points over gilts and, according to the lead managers, met with good investor demand, especially from investors in Europe and eastern Asia who were attracted by the UK currency's recent strength.

Overseas interest in sterling assets has been spurred by the pound's recent rally. Sterling yesterday reached its highest level against the D-Mark since September 1992 at DM2.613, and many investors expect that trend to continue amid further signs of economic recovery in the UK. Some expect UK interest rates to be cut if the currency firms much further, which would give an added boost to sterling bond markets. "Whichever way you look at it, you have a 'win-win' situation," said one observer.

Close on the heels of the Barclays issue came three five-year sterling deals. The Cheltenham & Gloucester Building Society issued £150m of five-year floating-rate notes paying interest of three-month Libor plus 10 basis points, which saw solid demand from UK and continental European investors, an official at lead manager Kleinwort Benson said.

### INTERNATIONAL BONDS

Another two straight bonds followed, driven by attractive swap opportunities in the five-year area. The Dutch bank, De Nationale Investeringsbank, issued £150m of five-year bonds at 30 basis points over gilts via Samuel Montagu. That compared with a 45 basis-point spread over gilts for the £150m five-year bonds for the Nationwide Building Society, which was launched shortly afterwards via Baring Brothers.

Syndicate managers expect more sterling issuance in the next few days, including a 25-year bond for Lloyds Bank totalling around £300m.

Meanwhile, the Ecu market continued its comeback, absorbing five issues worth Ecu1.07bn with relative ease, helped by the market's resilience following the French government's auction of Ecu990m of five- and 10-year OATs.

"There's very real investor demand for current-coupon Ecu bonds – retail investors like to see a fresh name priced below par," said a syndicate manager. Moreover, with some $16.2bn worth of Ecu bonds maturing this year, the deals provide much-needed liquidity after the recent dearth of Ecu issuance.

BellSouth Capital Funding Corporation's Ecu125m of five-year bonds met with strong retail demand in continental Europe, especially Switzerland, a syndicate official with lead manager Morgan Stanley said.

The remaining issues all had seven-year maturities: Ecu200m for the Caisse Française de Développement via joint lead managers BZW and Goldman Sachs; Ecu200m for KFW International Finance via Goldman Sachs; Ecu300m for Crédit Foncier de France via Paribas Capital Markets, and Ecu250m of bonds for UK Pass-Through Securities via Morgan Stanley.

The market was awash with rumours that Canada will launch $2bn of five-year floating-rate notes today, priced at between 15 and 20 basis points below three-month Libor.

Syndicate sources said that Goldman Sachs, UBS and CS First Boston have been awarded the mandate for the issue.

The D-Mark sector had to digest another large bank issue, DM1bn of 10-year bonds for Bayerische Landesbank, via Bayerische Landesbank and UBS. The issue, syndicated by a small consortium of non-German banks, was placed mainly outside Germany. While the pricing was fair, recent heavy supply of 10-year bank bonds may mean that the paper will only be absorbed slowly, said an official with one of the deal's co-managers.

The French franc sector saw the launch of FFr2.5bn for the triple-A rated Caisse Nationale des Autoroutes via J. P. Morgan and Société Générale. While the issue was "not a blow-out", it was seen to be fairly priced and met interest from European investors attracted by franc's strength, a syndicate official said.

● The Chicago Board Options Exchange is to offer options on the Nasdaq-100 index, a popular over-the-counter stock index, from January 28. The Nasdaq-100 index has a 94 per cent price correlation with the Nasdaq Composite Index.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Sanwa Shutter Co.(a)ϕ | 460 | 1.50 | 100.00 | Feb.1998 | 2.25 | - | Daiwa Erpe./Nomura Sing. |
| Nacional Financiera(Cay.)‡ | 150 | (b) | 99.825R | Feb.1996 | 0.25R | - | Kidder Peabody Intl. |
| Foreningsbanken(c)‡ | 100 | (c) | 99.60R | Feb.2004 | 0.83R | - | Chemical Bank |
| Nomura International‡ | 100 | (d) | 99.60R | Feb.2004 | 0.25R | - | Nomura International |
| Helaba‡ | 100 | (e) | 100.00R | Feb.1997 | 0.20R | - | Merrill Lynch Intl. |
| **D-MARKS** | | | | | | | |
| Bayerische Landesbank | 1bn | 6.00 | 100.00R | Feb.2004 | 0.10R | +42 (6%-03) | Bayerische Landesbank |
| Reemtsma Finance | 250 | 6.125 | 101.80 | Feb.2001 | 2.75 | - | Deutsche Bank |
| **YEN** | | | | | | | |
| Queensland Treasury Corp.‡ | 20bn | (f) | 107.05 | Jan.1999 | undisd. | - | Nikko Europe |
| **STERLING** | | | | | | | |
| Barclays Bank | 500 | 6.50 | 99.092R | Feb.2004 | 0.35R | +30 (6¾%-04) | BZW/ Salomon Brothers |
| DNIB(g) | 150 | 6.125 | 99.68R | Dec.1998 | 0.30R | +30 (6½-99) | Samuel Montagu |
| Nationwide B/S(g) | 150 | 6.125 | 99.20R | Nov.1999 | 0.325R | +45 (6½-99) | Baring Brothers |
| Cheltenham & Gloucester(h)‡ | 150 | (h) | 99.64R | Jan.1999 | 0.10R | - | Kleinwort Benson |
| **FRENCH FRANCS** | | | | | | | |
| Caisse Nationale des Autoroutes | 2.5bn | 5.50 | 99.06R | Feb.2002 | 0.30R | +19 (i) | Société Générale |
| **ITALIAN LIRE** | | | | | | | |
| Export Development Corp. | 200bn | 7.60 | 101.875 | Feb.2001 | 1.875 | - | Paribas Capital Markets |
| **ECUS** | | | | | | | |
| Credit Foncier de France | 300 | 5.50 | 99.60R | Feb.2001 | 0.30R | - | Paribas Capital Markets |
| UK Pass-Through Securities | 250 | 5.50 | 99.80R | Feb.2001 | 0.30R | - | Morgan Stanley Intl. |
| CFD | 200 | 5.50 | 99.83R | Feb.2001 | 0.30R | - | BZW/ Goldman Sachs |
| KfW International Finance | 200 | 5.50 | 99.95R | Jan.2001 | 0.30R | - | Goldman Sachs Intl. |
| BellSouth Capt. Funding Corp. | 125 | 5.25 | 100.00R | Feb.1999 | 0.25R | - | Morgan Stanley Intl. |
| **PESETAS** | | | | | | | |
| European Investment Bank | 20bn | 7.90 | 101.60 | Feb.2004 | 1.875 | - | Bco.Santander de Negocios |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ϕWith equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 17/1/94. Daiwa $300m Euro tranche and Nomura $160m Asian tranche. b) Coupon: 6-mth Libor +⅞%. c) Coupon: 6-mth Libor +1.1% for 1st 5 yrs and +2½% thereafter. Callable on 18/2/99 at par. d) Coupon: 6-mth Libor +⅛%, min 5%. e) Coupon: 3-mth Libor +1%. Interest only accrues on days 3-mth Libor falls within the following ranges: 3-4%, 3-4½%, 3-5¼%, 3-6%, 3-6½%, 3-7% for each 6-mth period respectively. f) Coupon: 3-mth Libor +1%. g) Short 1st coupon. h) Coupon: 3-mth Libor +0.1%. Callable on any interest payment date from Jan.98 at par. i) Spread is over interpolated yld curve.

# 'Flex' deals offered on FT-SE Mid 250

By Tracy Corrigan

OMLX, the London-based equity derivatives exchange, is to launch both standard and "flex" futures and option contracts on the FT-SE Mid 250 index.

This steals a march on the London International Financial Futures & Options Exchange (Liffe), which has also been granted a licence by the London stock exchange to trade Mid 250 derivatives.

"Flex," or flexible contracts – which can be tailored to individual needs, like over-the-counter products, but which are cleared through an exchange – have already been introduced in the US market, but the OMLX instruments will be the first of their kind in the UK.

"What we discovered is that there is not a huge demand for one specific use, but for a range of uses," said Mr Lynton Jones, OMLX chief executive.

These uses include asset allocation, hedging existing portfolios, writing options against stock holdings to enhance returns, and playing the spread between the FT-SE 100 and 250 indices or the cash market.

OMLX said it expected to launch the contracts in a matter of weeks.

Liffe has not yet formulated its plans for Mid 250 derivatives. "We believe that the timing is very important," said Liffe chief executive, Mr Daniel Hodson. "We are still engaged in looking at the alternatives." These include listing Mid 250 futures on its APT screen trading system.

Liffe is also developing an options trading system, which could be used for the Mid 250, including "flex" options.

# Low inflation figures prompt big advances in US Treasuries

By Patrick Harverson in New York and Tracy Corrigan and Sara Webb in London

The long end of the US Treasury market posted big gains yesterday morning as investors reacted positively to news of low inflation.

By midday the benchmark 30-year government bond was up $1\frac{3}{32}$ at $100\frac{7}{32}$, to yield 6.155 per cent. The two-year note was only slightly firmer at the halfway mark, however, up $\frac{1}{32}$ at $100\frac{3}{32}$, yielding 4.015 per cent.

The news that sparked the buying was the 0.1 per cent rise in December producer prices.

Although the figure was in line with market expectations, prices rose as investors judged that the second half of the monthly inflation data – today's consumer prices report – would be equally bullish for fixed-income instruments.

Dealers said the long end was further buoyed by short-covering and futures-related buying. The latter was the result of the March T-bond contract breaking through a technical barrier, which sparked demand from retail accounts, and which in turn prompted heavy buying in the cash market.

■ A dramatic decline in the UK unemployment rate for December wiped out hopes of a near-term cut in interest rates and depressed the gilt market yesterday morning, reducing earlier gains in UK government bond prices.

Short-dated gilts closed marginally weaker while longer-dated issues ended about ¼ of a point higher.

The gilt market opened on a firm note, and prices rallied across the curve with the long end showing the strongest gains. However, prices fell back after the release of unemployment data which showed that the number of jobless fell by 46,800 in December, reducing the unemployment rate to 9.8 per cent from 10.0 per cent the previous month.

### GOVERNMENT BONDS

Dealers said the news fuelled speculation that Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, will decide to keep interest rates at current levels when they hold their regular policy meeting today.

■ Other European bond markets gained encouragement from the US rally. However, the German bund market lost some of its earlier gains as hopes of a further easing of interest rates faded, following comments by several Bundesbank council members. "If German M3 money supply for December is high, the Bundesbank won't be cutting rates this month," one analyst said.

■ The Spanish market, which is experiencing a revival of international interest, performed strongly, gaining half a point.

"Spain has come back into fashion," said Mr Juonni Kokko, an international economist at Warburg, noting that the peseta has recovered to Pta82.70 against the D-Mark. "If anything, the implication of the Banesto scandal is that rates may have to come down more than expected," he added.

■ The Italian market also performed impressively, rallying a further 30 basis points as political fears eased. Traders hope that the parliamentary debate over a vote of no-confidence in prime minister Carlo Ciampi will produce an early general election.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 9.500 | 08/04 | 120.7000 | +0.430 | 6.33 | 6.68 | 6.72 |
| Belgium | | 9.000 | 03/03 | 117.0600 | +0.260 | 6.47 | 6.49 | 6.62 |
| Canada * | | 7.500 | 12/03 | 107.9500 | +0.550 | 6.40 | 6.65 | 6.70 |
| Denmark | | 7.000 | 12/04 | 108.6500 | +0.700 | 5.90 | 6.13 | 6.22 |
| France | BTAN | 8.500 | 05/98 | 110.1100 | - | 4.95 | 6.03 | 6.06 |
| | OAT | 6.750 | 10/03 | 108.3200 | +0.310 | 5.62 | 5.70 | 5.85 |
| Germany | | 6.000 | 09/03 | 103.1000 | +0.140 | 5.57 | 5.62 | 5.75 |
| Italy | | 9.000 | 10/03 | 102.8000 | +0.300 | 8.57† | 8.56 | 8.77 |
| Japan | No 119 | 4.800 | 06/99 | 111.8740 | -0.330 | 2.35 | 2.38 | 2.49 |
| | No 157 | 4.500 | 06/03 | 110.9420 | -0.250 | 3.01 | 3.06 | 3.19 |
| Netherlands | | 5.750 | 01/04 | 101.4400 | +0.300 | 5.56 | 5.61 | 5.72 |
| Spain | | 10.500 | 10/03 | 115.8000 | +0.480 | 8.09 | 8.18 | 8.31 |
| UK Gilts | | 9.750 | 01/98 | 113-31 | -2/32 | 5.77 | 5.76 | 5.69 |
| | | 6.750 | 11/04 | 103-29 | +7/32 | 6.20 | 6.28 | 6.34 |
| | | 9.000 | 10/08 | 123-01 | +6/32 | 6.54 | 6.53 | 6.61 |
| US Treasury * | | 5.750 | 08/03 | 101-14 | +19/32 | 5.55 | 5.87 | 5.68 |
| | | 6.250 | 08/23 | 101-07 | +37/32 | 6.16 | 6.39 | 6.17 |
| ECU (French Govt) | | 6.000 | 04/04 | 100.9100 | -0.070 | 5.88 | 5.99 | 6.11 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 130.98 | 131.24 | +0.38 | 131.32 | 130.98 | 220,124 | 142,994 |
| Jun | 130.46 | 130.74 | +0.38 | 130.82 | 130.46 | 1,745 | 10,544 |
| Sep | 129.58 | 129.86 | +0.38 | 129.84 | 129.58 | 119 | 638 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Feb | Calls Mar | Calls Jun | Puts Feb | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|
| 128 | - | 3.28 | - | - | 0.07 | 0.39 |
| 129 | - | 2.37 | - | 0.02 | 0.14 | 0.61 |
| 130 | 1.28 | 1.51 | 1.66 | 0.05 | 0.29 | - |
| 131 | 0.49 | 0.84 | 1.16 | 0.26 | 0.63 | - |
| 132 | 0.10 | 0.38 | 0.73 | - | 1.15 | - |
| 133 | - | 0.13 | 0.42 | - | - | - |

Est. vol. total, Calls 41,499 Puts 44,549. Previous day's open int., Calls 236,386 Puts 294,389.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 101.10 | 101.16 | +0.12 | 101.32 | 101.07 | 133922 | 144501 |
| Jun | 101.20 | 101.11 | +0.12 | 101.24 | 101.10 | 321 | 2148 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 10100 | 0.61 | 1.04 | 0.45 | 0.93 |
| 10150 | 0.38 | 0.81 | 0.72 | 1.20 |
| 10200 | 0.22 | 0.61 | 1.06 | 1.50 |

Est. vol. total, Calls 12607 Puts 10866. Previous day's open int., Calls 177336 Puts 125518

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 103.51 | 103.46 | -0.01 | 103.58 | 103.41 | 702 | 10349 |

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 117.76 | 117.99 | +0.46 | 118.25 | 117.61 | 50524 | 85484 |
| Jun | 117.74 | 118.07 | +0.48 | 118.28 | 117.74 | 83 | 531 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 11750 | 1.75 | 2.95 | 1.26 | 2.38 |
| 11800 | 1.48 | 2.69 | 1.49 | 2.62 |
| 11850 | 1.23 | 2.45 | 1.74 | 2.88 |

Est. vol. total, Calls 2458 Puts 2793. Previous day's open int., Calls 41050 Puts 40836

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 105.07 | 105.60 | +0.61 | 105.69 | 105.07 | 46,826 | 85,185 |
| Jun | 105.25 | 105.51 | +0.55 | 105.55 | 105.25 | 422 | 8,001 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 119-04 | 119-01 | +0-04 | 119-12 | 118-26 | 89615 | 103926 |
| Jun | 118-15 | 118-13 | +0-06 | 118-16 | 118-15 | 41 | 139 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 119 | 1-07 | 1-44 | 1-05 | 2-18 |
| 120 | 0-43 | 1-18 | 1-41 | 2-56 |
| 121 | 0-23 | 0-61 | 2-21 | 3-35 |

Est. vol. total, Calls 4031 Puts 4027. Previous day's open int., Calls 85130 Puts 50352

**Ecu**

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 122.04 | 122.18 | +0.28 | 122.28 | 122.00 | 4,907 | 12,182 |
| Jun | - | 97.30 | +0.30 | - | - | - | 50 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 116-13 | 117-01 | +0-20 | 117-04 | 116-13 | 300,581 | 307,952 |
| Jun | 115-13 | 115-30 | +0-20 | 116-02 | 115-13 | 1,656 | 16,682 |
| Sep | 114-22 | 114-30 | +0-23 | 115-01 | 114-15 | 862 | 20,090 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 117.60 | | | 117.70 | 117.54 | 2787 | 0 |

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Wed Jan 12 | Day's change % | Tue Jan 11 | Accrued interest | xd adj. ytd | | Low coupon yield Jan 12 | Jan 11 | Yr. ago | Medium coupon yield Jan 12 | Jan 11 | Yr. ago | High coupon yield Jan 12 | Jan 11 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (25) | 129.81 | -0.01 | 129.82 | 2.20 | 0.00 | 5 yrs | 5.70 | 5.69 | 7.06 | 5.93 | 5.92 | 7.52 | 6.04 | 6.04 | 7.74 |
| 2 5-15 years (22) | 162.69 | +0.07 | 162.57 | 2.52 | 0.10 | 15 yrs | 6.41 | 6.42 | 8.34 | 6.53 | 6.54 | 8.79 | 6.73 | 6.76 | 9.06 |
| 3 Over 15 years (8) | 188.82 | +0.17 | 188.51 | 2.30 | 0.00 | 20 yrs | 6.52 | 6.53 | 8.62 | 6.57 | 6.58 | 8.99 | 6.75 | 6.78 | 9.16 |
| 4 Irredeemables (6) | 225.76 | +0.19 | 225.32 | 1.71 | 0.00 | Irred.† | 6.65 | 6.67 | 8.98 | | | | | | |
| 5 All stocks (61) | 157.20 | +0.07 | 157.10 | 2.40 | 0.05 | | | | | | | | | | |

| Index-linked | Wed Jan 12 | Day's change % | Tue Jan 11 | Accrued interest | xd adj. ytd | | Inflation 5% Jan 12 | Jan 11 | Yr. ago | Inflation 10% Jan 12 | Jan 11 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 191.48 | -0.03 | 191.53 | 1.40 | 0.00 | Up to 5 yrs | 2.17 | 2.16 | 2.78 | 1.37 | 1.35 | 2.00 |
| 7 Over 5 years (11) | 191.12 | -0.06 | 191.23 | 0.61 | 0.30 | Over 5 yrs | 2.97 | 2.96 | 3.69 | 2.80 | 2.79 | 3.71 |
| 8 All stocks (13) | 190.22 | -0.06 | 190.32 | 0.69 | 0.26 | | | | | | | |

| Debentures and Loans | Wed Jan 12 | Day's change % | Tue Jan 11 | Accrued interest | xd adj. ytd | 5 year yield Jan 12 | Jan 11 | Yr. ago | 15 year yield Jan 12 | Jan 11 | Yr. ago | 25 year yield Jan 12 | Jan 11 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 Debs & Loans (65) | 151.73 | +0.08 | 151.61 | 2.53 | 0.11 | 7.20 | 7.23 | 8.91 | 7.57 | 7.57 | 9.92 | 7.70 | 7.70 | 10.07 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Jan 12 | Jan 11 | Jan 10 | Jan 7 | Jan 6 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 106.41 | 106.32 | 106.57 | 106.65 | 106.46 | 93.43 | 107.60 | 93.28 |
| Fixed Interest | 132.10 | 132.16 | 132.24 | 131.06 | 130.99 | 108.91 | 132.24 | 108.67 |

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 132.24 (10/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

### GILT EDGED ACTIVITY INDICES

| | Jan 11 | Jan 10 | Jan 7 | Jan 6 | Jan 5 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 165.3 | 128.3 | 86.9 | 90.5 | 74.2 |
| 5-day average | 109.1 | 90.7 | 72.0 | 66.9 | 59.0 |

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on January 12

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



### UK GILTS PRICES

[illegible]

### Other Fixed Interest

[illegible]

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Shares rise 18p on news of smaller than expected profits fall

# David Smith declines to £14m

By Neil Buckley

David S Smith (Holdings), the paper, packaging and office supplies group, yesterday reported a 10 per cent fall in interim pre-tax profits from £15.2m to £13.7m, but said there were signs of a recovery in the market.

Mr Peter Williams, chief executive, said growth in demand in the UK corrugated market had averaged about 3 per cent last year, but had reached 8 per cent in recent months. There had also been a recent "uptick" in France.

"Last year we felt the UK economy was on the rebound, but it slowed down over the summer. We feel the recovery has accelerated again," he said.

The profits fall in the six months to October 30 was smaller than many analysts had expected, and the shares closed up 18p at 456p.

Group turnover rose 31 per cent to £338m (£259m), thanks largely to a three-month contribution from Spicers, the office products wholesaler acquired for £91m. Excluding Spicers, turnover was up 3 per cent.

But low paper prices, due to depressed demand and competition from cheap imports from Germany, meant operating profits – excluding a £3.9m contribution from Spicers – fell from £19.6m to £15.6m. David S Smith Packaging, Regis Paper, and Kaysersberg in France all reduced their contributions.

The group operating margin, excluding Spicers, fell from 7.6 per cent to 5.9 per cent.

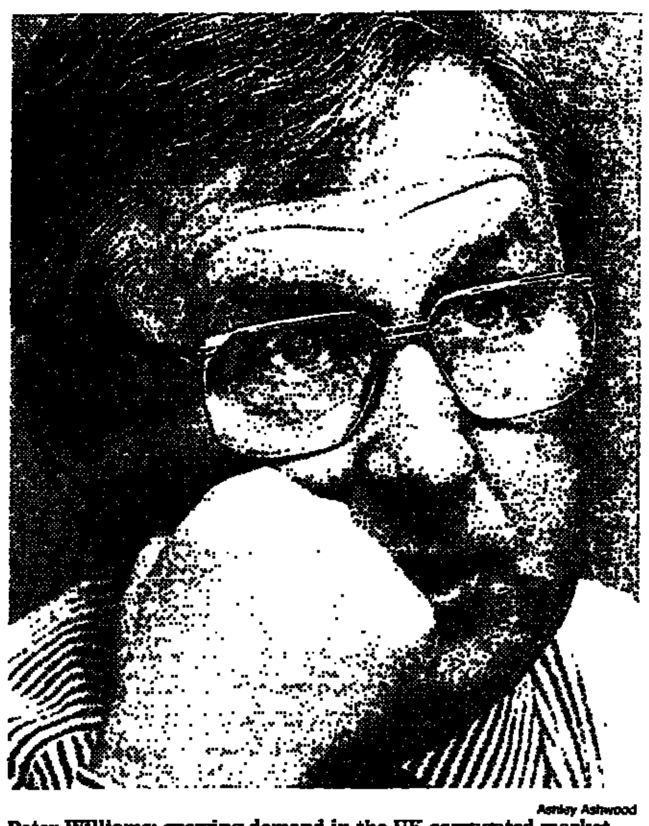
Increased interest charges of £5.8m (£4.4m) reflected higher borrowings due to the capital investment programme, likely to be about £60m this year.

Much of that has been spent on the development programme of the Kemsley mill, now completed. Mr Williams said Kemsley's new paper machine had started up in November, and was on target to reach its annual production level of 200,000 tonnes of recycled packaging papers.

Earnings fell to 9.3p (12p), but the interim dividend is maintained at 2.75p.

● **COMMENT**

David S Smith has been a "jam tomorrow" story for some time, but yesterday's better than expected results suggest that tomorrow may at last be on its way. Whether or not paper prices recover, completion of the Kemsley mill redevelopment should convert operating losses there into a profit next year, and gives Smith a low-cost facility to compete with continental European producers. Smith has successfully integrated Spicers, and is hopeful of turning around Spicers France.



Ashley Ashwood
Peter Williams: growing demand in the UK corrugated market

Demand in its main markets shows sign of picking up, and Smith could ride the recovery both in the UK and France. Full-year forecasts of about £32m put the shares on a prospective multiple of 22 – a substantial premium to the sector – but that falls to 17 on forecasts of £48m in 1995.

# Irish Contl rises to I£4.74m

By Tim Coone in Dublin

Irish Continental Group, the largest shipping and ferry group operating from Ireland, has reported a 14.6 per cent increase in pre-tax profits to I£4.74m (£4.55m) on turnover up 5.8 per cent to I£108.8m, for the year ended October 31 1993.

The company said the turnover increase was primarily due to the inclusion of a full year's contribution from B&I ferries (10 months in 1991-92) which ICG bought from the Irish government for I£8.5m two years ago.

The B&I routes saw modest increases in both passenger and cargo traffic during the year, while its Irish Ferries operations had lower passenger carryings "but in line with expectations" due to a chartering of one of its ferries for operations out of Helsinki during the Easter period.

Roll on-roll off operations out of the Dublin ferryport terminal saw an increase of 8.8 per cent to 123,000 units, although conventional container cargoes declined from 54,000 to 34,000 units as a result of the reopening of competing terminals in Dublin port after the ending of a prolonged stevedores strike.

Last September ICG took a 25 per cent holding in Bell Lines, a short-sea European container shipping service, and last November paid I£55.5m for the ferry Pride of Bilbao, which is operating out of Portsmouth to the Continent on charter to P&O Lines.

Mr Eamonn Rothwell, group managing director, said that the P&O charter was providing a net yield of some 11 per cent before depreciation.

The company expects strong growth in all its markets in 1994, due to a predicted upturn in the UK economy as well as improved economic outlooks in Ireland and the Continent.

Earnings per share were 27p (21.8p) and a final dividend of 2p is recommended for a total of 3p, up 24 per cent on the previous 2.42p.

# FNFC cuts losses despite commercial lending setback

By Alison Smith

First National Finance Corporation, the consumer credit group, yesterday reported pre-tax losses of £22.8m in the year to end-October 1993, less than half the previous year's deficit of £57m.

The shares responded with a 1p increase to 71p.

The group continued to have problems with its commercial lending division, where losses increased from £19m to £23.3m.

Last November, FNFC took the precaution of issuing a warning that it expected its commercial lending losses to be "somewhat higher" for 1993 than for 1992.

Property losses declined from £22.8m to £9.6m, but the group's core consumer credit business returned to profit, making £19.7m after a loss of £4.6m in 1992.

Mr Martin Mays-Smith, chairman, said that the group's strategy was to build and improve the consumer credit business with its associated insurance products, while managing down its property activities and the commercial lending portfolio.

Provision for bad and doubtful debts in commercial lending amounted to about £20m, following a £14.2m provision in the previous year.

The group said it was taking a "sterner view" than in 1992.

FNFC said it did not expect an annual provision of this scale to be required "in the foreseeable future", though it admitted that it was difficult to be certain what some of its smaller commercial properties would realise.

The group sees the key to profitability in commercial lending as property valuation.

Despite the end to the falls in property prices, Mr Mays-Smith said unemployment and fear of unemployment had had a continuing adverse effect on confidence.

The board is recommending a final dividend of 1p, following an interim of 0.5p, and an enhanced scrip dividend alternative worth 1.5p.

In July, the group agreed a refinancing deal for its £1.1bn debt owed to 107 international banks.

The agreement saved it from collapse, but the fees for arranging it are estimated to amount to about £13m. This is being spread over the life of the bank facilities.

# UB takes a larger bite from its Finnish biscuit

**Christopher Brown-Humes** on a Nordic expansion

United Biscuits, Britain's largest biscuits and snacks manufacturer, is strengthening its position in the Nordic market by buying a further 21 per cent of Fazer Biscuits, Finland's leading biscuit company, from the Fazer confectionery group.

The move lifts UB's holding in the Finnish company to 70 per cent and follows its purchase of a 49 per cent stake in April 1991. Acquisition terms are not being disclosed.

"This move to majority control will enable us to drive forward our Nordic strategy with even closer integration of our Nordic operations and co-operation with the rest of our European biscuit network," said Mr Hartwig Conzelmann, managing director of McVitie's, UB's biscuits division.

The latest move crowns a hectic three-year expansion period for McVitie's, during which its share of the Nordic biscuit market has risen from 10 per cent to 47 per cent and annual sales have grown tenfold to £100m.

The expansion, achieved through acquisitions and organic growth, has been designed to boost the company's market share and increase overall biscuit consumption in the region. It is also part of UB's wider thrust to strengthen its position in continental Europe and is in line with its strategy of obtaining leading positions in the markets where it operates. It also has a dominant market presence in the Netherlands through Verkade and in Hungary through Gyori Keksz.

McVitie's purchase of the initial 49 per cent stake in Fazer Biscuits has proved successful. Sales at the Finnish company have increased by nearly 50 per cent since 1990 to exceed FM320m (£37m) last year and pre-tax profits have risen nearly five-fold.

Apart from this latest purchase, UB has also gained full control of Oxford Biscuits, Denmark's leading biscuit group, and bought 90 per cent of Jyväs Hyvä, Finland's second largest biscuit group. The expansion has cost less than £50m.

The acquisitions have brought the company a range of new products and enabled it to build up the position of its own brands by using the local companies' distribution networks. McVitie's Digestive and Hob Nobs, exported from the UK, are now the top two brands in the Nordic region.

The purchases have also meant that UB has been able to use its Nordic production facilities to feed into its own network. For example, the Finnish-produced Riva chocolate biscuit was successfully launched in the UK last year.

McVitie's market share amounts to 70 per cent in Denmark, 65 per cent in Finland, 28 per cent in Sweden and 21 per cent in Norway. This makes it the region's leading biscuit supplier, ahead of the Norwegian group Orkla, which has 36 per cent of the market.

The group is confident of further sales and profits growth, partly based on the potential for increasing biscuit consumption in the Nordic region.

"Per capita biscuit consumption in the Nordic region is between 2kgs-3kgs a year, compared to 14kgs-15kgs a year in the UK and 8kgs-10kgs in Germany and France," said Mr Orla Topholt Pedersen, managing director of McVitie's, Nordic region.

He said Nordic biscuit consumption had grown by an annual 5 per cent over the last three years, despite recession in the region, compared with a static trend during the late 1980s.

Trevor Humphries
John Warren: group finance director of United Biscuits

# Atreus sales well below estimates

By Peter Pearse

Atreus, the shower screen and mirror supplier which came to market in March via the reverse takeover of URS International, a shell company, yesterday gave a warning on sales.

The statement – which was issued after the market had closed – said that while sales for the three months to December 31 were "slightly ahead" of the corresponding period last year, they were "substantially below expectations".

The shares slipped 1p to 20p.

The company said that margins had come under pressure and the second half would not now be as profitable, reflecting costs of the new initiatives it was taking.

However, the group said it intended to declare a final dividend of 0.527p to make a total of 0.791p for the year.

## Minstergate up

Pre-tax profit at Minstergate, the property manager and developer, was £1.28m in the year to August 31, against £1.2m last time.

External sales shrank to £3.33m (£5.66m). Earnings leapt to 30.55p (0.72p) per share.

# Granada extends LWT offer

By Raymond Snoddy

Granada, the leisure and television group yesterday extended its offer worth some £700m for London Weekend Television, after LWT shareholders adopted a wait-and-see attitude.

The number of acceptances grew by only 0.3 percentage points to a total of 2.61 per cent. This gives Granada, which bought 17.5 per cent of the company last summer, a total of 20.12 per cent.

The offer was extended to January 26 – a shorter period than expected. The current terms are six new Granada shares for every five LWT shares with a cash alternative of 528p.

The shorter than expected extension gives Granada the obvious peg to make a final improved offer – something that City analysts believe will be needed to clinch the deal. It might, for example, pay a final LWT dividend.

No decision has been taken on an improvement – Granada wants to wait at least until Friday, the final date for LWT introducing new information.

Another factor is the continuing investigation by the Office of Fair Trading.

The OFT is believed to be looking carefully at the implication for advertising sales of any takeover.

Last night Sir Christopher Bland, chairman of LWT (Holdings), said his board believes that "LWT shareholders should not exchange their investment in a valuable television company for shares in a conglomerate, nor accept a poor cash offer. We continue to advise shareholders to reject the offer".

# Property Trust drops to £0.1m

Profits at Property Trust declined from £426,000 to £102,000 pre-tax in the six months to September 30, though last year's figure was boosted by £900,000 from the sale of development properties.

The company said these sales had the effect of reducing rents receivable in the period under review, which declined from £747,000 to £713,000.

It added that there had been no sales in the first half and it was unlikely that there would be any in the second.

Rather, the company stressed that it had been buying properties, though the full impact in rental terms would not be reflected in the accounts until next year.

Gross annual rental income from the acquired properties and other proposed acquisitions was currently some £856,000.

The company expects to accrue net income of some £449,000 a year after interest – an initial return on equity of about 18 per cent.

With the benefit of acquisitions gross rental income is expected to rise by some 40 per cent to more than £2.2m (£1.54m annualised).

Earnings fell to 0.5p (5.6p).

In December the company announced the acquisition of 207/213 High Street, Dorking, and the proposed purchase of 1/30 The High Parade, Streatham High Road, London.

# Reuters plans forex TV move

Reuters, the international business information and news group, plans to launch a financial television service for the foreign exchange market around the middle of this year.

The service, providing live coverage of events of interest to dealers, will be delivered digitally to foreign exchange traders alongside existing data signals.

It will be initially available in Europe, but will be distributed worldwide in due course.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

**TODAY**

Interims- Cray Electronics, Hollas, Jones Stroud, Matthew Clarke, PWS, Real Time Control, Surrey, Wyko.

Finals- Kershaw (A), Microgen, Rank Organisation, Securicor, Security Services, TSB.

**FUTURE DATES**

| | |
|---|---|
| **Interims-** | |
| Daejan | Jan. 19 |
| Fleming Emerging Markets | Jan. 25 |
| Hidong Estate | Jan. 21 |
| Merrivale-Swain | Jan. 25 |
| Menzies (J) | Jan. 24 |
| Park Food | Jan. 20 |
| Ransom (Wm) | Jan. 20 |
| Wood (JD) | Jan. 20 |
| **Finals-** | |
| Assoc British Ports | Mar. 3 |
| Baring Tribune Inv Trust | Feb. 14 |
| Hillsdown | Mar. 10 |
| Rea Bros | Mar. 15 |

# Hornby link with US toymaker

By Catherine Milton

Hornby Group yesterday announced that it had taken a 10 per cent stake in the privately-owned Original San Francisco Toymakers. The deal gives the UK company, best known for its model train sets, exclusive UK distribution rights for the small US toy company's product range.

The range includes action figures, talking story books and talking story "pals" – stuffed toys which narrate literature.

Mr Saul Jodel, president of Toymakers, said the deal solidified a long-standing relationship with Hornby, which he described as a quality company: "It gives them the motivation to do a good job with our line because they have a piece of our company."

Mr Jodel founded the company two years ago with Mr David Galoob, chief executive officer. Both had previously been executives with Lewis Galoob Toys, another San Francisco toy company which is quoted on the NYSE.

Mr Galoob resigned abrubptly as chief executive officer at Lewis Galoob in June 1991 after the company was sued by Nintendo of America, the video games company, for alleged copyright violation. The case was subsequently settled in Lewis Galoob's favour.

Mr Jodel said yesterday the parting between the man and the company founded by his family had been a "mutual decision."

Toymakers reported "minor losses" on sales of $6m (£4m) in 1993 and is forecasting that it will treble or quadruple in size this year.

Mr Jodel declined to disclose the consideration for the deal. No one at Hornby was available to comment.

## NEWS DIGEST

### Dudley Jenkins 12% ahead

Profits of USM-traded Dudley Jenkins rose from £383,000 to £430,000 pre-tax for the six months ended October 31. Turnover of £6.4m compared with £5.18m.

Directors said the 12 per cent profits improvement reflected "fine tuning" of each operation – the company's principal activity is supplying direct mail services.

The interim dividend is lifted to 1.05p, against 1p, from lower earnings per share of 2.33p (2.55p) per share.

### Baring Emerging oversubscribed

The placing and open offer for shares in the recently-launched Baring Emerging Europe Trust raised $124m (£83.7m) and was oversubscribed.

Under the placing, interests from placees were received for 92.5m ordinary shares with warrants while the offer for subscription for the remaining 31.5m shares was subscribed some 2.2 times.

Applicants for the latter will receive a scaled down allocation.

### Kells Minerals listing restored

Trading in Kells Minerals, the Dublin-based exploration company, was restored yesterday morning.

Last month, shares in Kells were suspended at 21p following the announcement that World Fluids, the specialist chemicals and additives manufacturer, was coming to the market through its reverse takeover by Kells.

### Burmah Castrol in Chinese venture

Burmah Castrol's metallurgical chemicals division has set up a 50:50 joint venture in China.

Burmah is investing £1.3m in the new company, Foseco Jinke, which will make and market products for the aluminium industry.

Burmah's partner in the venture is Shenzhen Jinke, a Chinese company jointly owned by Shenzhen Science Park, the Chinese Academy of Science and Excelsior Aluminium.

Initial cash invested in the project will be used to build a new factory close to Shenzhen Jinke's existing production facilities.

### Investment Co net assets rise

The Investment Company, which invests in preference shares and prior charge investments, increased net asset value per share to 49.62p at September 30 1993, against 39.48p a year earlier and 44.78p at the end of March.

After-tax revenue for the half year slipped from £388,691 to £367,396 and earnings per share came out at 1.32p (1.4p).

The interim dividend is maintained at 0.5p.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Bromsgrove Inds ......int | 1.65† | Apr 6 | 1.65 | - | 4.4 |
| Castle Cairn ......fin | 0.825 | Apr 5 | 0.8 | 0.825 | 0.8 |
| Dudley Jenkins §......int | 1.05† | Apr 8 | 1 | - | 3.1 |
| First Leisure ......fin | 4.53† | Apr 6 | 4.26 | 6.53 | 6.14 |
| FNFC ......fin | 1 | Mar 2 | nil | 1.5 | nil |
| Fleming Geared ......int | 0.75☆ | Feb 28 | 2.97 | - | 7.6 |
| Goode Durrant ......int | 2.2 | Feb 18 | 2.15 | - | 5.4 |
| Irish C'tinental......fin | 2♣ | Mar 31 | 2.42 | 3 | 2.42 |
| M&W ......fin | 1.9 | Feb 25 | 1.5 | 3 | 2.5 |
| Saville Gordon ......int | 1 | Apr 6 | 0.5 | - | 2.2 |
| Smith (David S) ......int | 2.75† | Mar 14 | 2.75 | - | 10 |
| S'thern Business......fin | 2.45 | Mar 4 | 2.23 | 3.72 | 3.38 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Plus special 2p. ♣Irish pence.

## PUBLIC WORKS LOAN BOARD RATES

**Effective January 11**

| Years | Quota loans* EPT† | ANT†† | maturity§ |
|---|---|---|---|
| 1 | | | 5⅛ |
| Over 1 up to 2 | 5⅛ | 5⅛ | 5½ |
| Over 2 up to 3 | 5⅜ | 5⅜ | 5⅝ |
| Over 3 up to 4 | 5½ | 5½ | 5¾ |
| Over 4 up to 5 | 5⅝ | 5⅝ | 6 |
| Over 5 up to 6 | 5⅝ | 5¾ | 6⅛ |
| Over 6 up to 7 | 5¾ | 5¾ | 6⅜ |
| Over 7 up to 8 | 5⅞ | 5⅞ | 6½ |
| Over 8 up to 9 | 6 | 6 | 6⅝ |
| Over 9 up to 10 | 6⅛ | 6⅛ | 6¾ |
| Over 10 up to 15 | 6½ | 6⅝ | 6⅞ |
| Over 15 up to 25 | 6⅞ | 6⅞ | 7 |
| Over 25 | 7 | 7 | 7 |

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

## COMPANY NEWS: UK AND IRELAND

£3m provision for renegotiating leasing contracts with customers hits outcome

# Southern Business falls to £12.2m

By Tim Burt

Southern Business Group, the photocopier and vending machines supplier, blamed a £3m provision for renegotiating leasing contracts with its customers for a 21 per cent fall in annual profits.

In the year to September 30 pre-tax profits fell from £15.3m to £12.2m on flat turnover of £57.7m (£57.3m).

The provision followed the decision last year to make fundamental changes in the way leasing arrangements were marketed and administered.

Such arrangements are being examined by the Office of Fair Trading, which is expected to publish a report next month on the tactics of photocopier companies.

Shortly before the OFT began its inquiry last year a number of Southern's employees resigned or were sacked after the company admitted improprieties in dealings with some clients. Since then contracts have been overhauled to "ensure continued goodwill" with customers.

Mr David McErlain, chairman and chief executive, said: "During 1993 the emphasis has been on retraining our sales staff. They now operate under a strict code of conduct."

The group has renegotiated some 2,000 contracts, about 20 per cent of the total, and said it would renegotiate other deals in the next 12 months. The company said that future provisions would not exceed £200,000.

Seven former customers, however, are involved in legal action against the group. They are seeking damages for alleged breach of contract and misrepresentation, but the total claims are thought to be less than £100,000.

The company is also engaged in legal action against five former salesmen for alleged breach of agency agreements and breach of confidence.

Mr McErlain said the action had not hampered an improvement in the company's current trading but warned that 1994 would be another tough year for suppliers.

"We've changed our ways. Now we can now grow by taking business from rivals," he added.

Although earnings per share fell to 8.44p (10.62p), the company said it was strong enough to propose an increase in its final dividend to 2.45p making a total of 3.72p (3.38p), a rise of 10 per cent.

● COMMENT

Photocopier leasing companies are still suffering from their reputation for extracting onerous contracts from unwitting customers, and Southern is no exception. Although it has spent £3m to put its house in order, continuing legal action has not enhanced the company's standing. It has, however, made contract changes beyond the anticipated scope of the OFT inquiry and now offers some of the most flexible deals around. Unfortunately, hopes that the changes would make it the dominant company in the leasing market have been undermined by the arrival of two large US rivals, Alco Standard and Danka. Intensifying competition is expected to keep profits at about £13m, which puts the shares on a prospective multiple of 9.4. Against those flat prospects, the shares, down 2p yesterday at 82p, are not expected to show a sharp improvement in the year ahead.

# Aer Lingus sees 'turning point'

By Tim Coone in Dublin

Aer Lingus, the Irish state airline, plans to recapture lost market share on its transatlantic services with the announcement yesterday of plans to replace its two ageing Boeing 747s, now in service for 25 years, with three leased Airbus A330s.

New transatlantic fare structures are also to be introduced, alongside a new daily direct service to the US from both Dublin and Shannon.

Mr Bernie Cahill, the chairman who has overseen a complex restructuring plan which was finalised last month, said: "The acquisition of this new transatlantic fleet and the unveiling of the new plans for the Aer Lingus operation marks the turning point in what has been a difficult and testing time for the airline".

The restructuring plan involved cutting I£50m (£48m) in annual operating costs through 800 voluntary redundancies and changes in work practices, in return for which the government is to provide a total of I£175m in new equity over the next two years.

Aer Lingus said it will increase its promotional spend in the US market by 75 per cent this year, and is to offer fare reductions of between 10 and 20 per cent into Ireland from the US.

The company "is aiming for a general growth in leisure traffic as a result of the competitive fares which will arise from a lower cost base ... a key objective of the new Aer Lingus schedule is to reverse the trend of US traffic to Ireland via London, Manchester and other UK points".

In 1992-93 the airline's transatlantic services incurred an operating loss of I£13m. A total of 4.3m passengers were carried with a load factor of 71 per cent.

Trevor Humphries

# First Leisure gets into shape

First Leisure, the discotheques, bowling and tourist attractions group, is entering the health and fitness market with the acquisition of a 75 per cent stake in the Royal County of Berkshire Racquets and Health Club.

Directors Lord Rayne, chairman (above left), Mr John Conlan, chief executive (centre), and Mr Graham Coles, finance director (right), said yesterday that the group intended to build further health clubs over the next few years.

Mr Conlan said he regarded health and fitness as a growing leisure market.

First Leisure is paying £5.3m cash for the Berkshire complex, with a further payment of £1.9m due after completion of the audit of the club accounts for the year ending October 31 1994. The deferred payment is dependent on the club achieving growth of £300,000 in operating profit.

The club earned pre-tax profit of £200,000 on turnover of £3.4m in the year ended October 31 1993. It has net bank borrowings of £3.9m and membership debentures totalling £1.5m.

The club has 4,700 members. Its facilities include 20 tennis courts, an indoor swimming pool, badminton and squash courts and gymnasium.

# Hoskins holders back transformation plan

By Catherine Milton

Mr Howard Hodgson, the ebullient former funeral director, has received shareholders' backing to transform a tiny USM-traded brewery into a tobacco accessories and airport shops supplier.

A special meeting yesterday approved the change of name from Hoskins Brewery to Halkin Holdings. Trading in both the existing shares and those issued to fund the metamorphosis is set to begin on the Official List this morning.

Some 25m new shares at 68p by have been issued by way of a placing, subscription and rights issue to raise £15m. The issue price compares with a price of 78p on Tuesday when the shares were suspended.

Shareholders supported all the resolutions put forward. These included the £10m cash acquisition of the business of Ronson, a manufacturer of cigarette lighters and other smokers' requisites and the £9.5m partial cash alternative offer for LGW, the airport shops supplier.

The Ronson acquisition, upon which the LGW acquisition is conditional, is expected to be completed today.

# Fleming Geared shows 25% jump in net assets

Fleming Geared Income and Assets Investment Trust raised net asset value per share by 25 per cent to 291.6p at the end of November, against 233.7p a year earlier.

Net revenue for the six months to November 30 slipped from £1m to £944,000, giving earnings per share of 6.12p (6.66p). The interim dividend is 0.75p (2.97p) and there is a special 2p arising from larger than expected non-recurring accrued income received on redemption in specie of two unit trusts.

At the last year end, the trust's sole investments were three unit trusts. Since then two of these have been redeemed in specie and the third redeemed for cash.

The company is now invested in UK company shares.

The directors said they still considered that their forecast current year dividend of 2p, excluding the special, to be the base level from which dividends should be able to grow in subsequent years.



# Sale of cash and carry side boosts M&W

M&W, the Southampton-based convenience store company, reported pre-tax profits ahead by 37 per cent at £2.77m for the 58 weeks to October 31, against £2.03m.

The result was boosted by exceptional income of £465,000, mainly resulting from the sale of its cash and carry activities in July, compared with £35,000 last time.

Turnover was £79.6m (£72.5m) of which £8.09m (£10.4m) related to discontinued activities. Continuing activities showed an increase of 15 per cent.

During the period 14 stores were opened or acquired and one sold taking the total to 111.

Sales on a like-for-like basis rose 4.7 per cent.

Earnings per share came out at 12.52p (8.17p) and the proposed final dividend is 1.9p for a total of 3p (2.5p).

# Goode Durrant rises after realignment

By Andrew Bolger

Shares in Goode Durrant rose by 10p to 151p yesterday after the industrial holding company said improvements resulting from the realignment of activities were beginning to show through.

Pre-tax profits jumped from £1.8m to £4.29m in the six months to October 31 including a £400,000 exceptional credit from the sale of the Laidlaw motor distribution subsidiary to Quicks last June. Sales fell from £90.6m to £56.1m mainly due to the sale.

Mr Michael Waring, chief executive, said that Northgate, the core commercial vehicle hire business, had doubled pre-tax profits to £3m. Utilisation rates had increased marginally to 92 per cent, and rates had firmed as customers, who were overwhelmingly business users, increased their activity levels.

Northgate had successfully integrated two small acquisitions announced in October, Trukvan Rental and Bowey Hire. It was a priority to extend the network nationally, both organically and by acquisition.

The equipment hire division made a pre-tax profit of £279,000, compared with a loss of £174,000 previously, and the Ravenstock business had returned to profit.

Rawlings, the housebuilding and construction business which has been earmarked for disposal, made pre-tax profits of £134,00, compared with a £179,000 loss.

Earnings per share to rose 5.8p (2.3p). Stripping out the exceptional, earnings rose to 5p. The interim dividend is increased to 2.2p (2.15p).

## NEWS IN BRIEF

**BIBBY DISTRIBUTION** Services has acquired Alexandra Molyneux Haulage for an undisclosed sum. Lancashire-based AMH has an annual turnover of £4m.

**BIRSE** has received applications for 32.6m new shares (26.1 per cent) available under the open offer. Following the placing and a financial restructuring, Mr Peter Birse, Mrs Birse and associated trusts will hold 21.3 per cent of the company's issued share capital, Midland Bank 20.3 per cent and Bilfinger & Berger, the German contractor, 9.7 per cent.

**BOURNE END** Properties: has received acceptances for 24.1m shares, representing some 95.9 per cent of the rights issue. The remaining 1.02m shares have been sold at 76p each.

**BOWTHORPE**: of the 20.65m new ordinary shares offered by way of rights, valid acceptances have been received in respect of 18.1m shares, representing 87.5 per cent.

**BUSINESS TECHNOLOGY** has received applications for 12.8m new shares under an open offer, 45.4 per cent.

**COURTAULDS TEXTILES** is to purchase Société Dentelles Calaisiennes, a French lace-making business, for cash. The company will be integrated into Courtaulds' existing French lace business, Desseilles.

**GWR** share issue related to its recent acquisition of Radio Trent, Mercia Sound and Leicester has been taken up in respect of 1.34m ordinary shares, 81.8 per cent of the 1.64m shares available.

**HEYWOOD WILLIAMS** Group said that 18.23m shares (97 per cent) in its rights issue had been taken up.

**HILCLARE** investors have taken up 79.4 per cent of the rights issue, representing 849,182 new ordinary shares out of a possible total of 1.07m.

**LAMBSON GROUP** created a joint venture with Royal Ordnance offshoot of British Aerospace to process mineral acids involving investment of £6.5m to increase capacity.

**MEPC** has purchased 8,200 ordinary shares of £1 each in Lansdown Estates Group, eliminating the minority interest. The consideration is satisfied by the issue of 597,780 ordinary shares of 25p each in MEPC.

**MOSS (E)**, retail subsidiary of UniChem, has acquired A & H Dunn for a maximum of £767,000. Consideration will be satisfied by issue of 119,893 ordinary and balance in cash. Dunn owns two pharmacy interests in Glasgow.

**NFC**: of the 138.6m new ordinary shares provisionally allotted by way of rights and the BZW cash offer, 90.1 per cent, or 124.8m new ordinary shares have been taken up.

**PROTEAN**: Applications received for 4.69m ordinary shares (90.7 per cent) under offer in connection with acquisition of Techne Corporation and LIP Equipment & Services and related cash placing. Remaining shares will be taken up by institutional investors.

**SETON HEALTHCARE** is paying £750,000 to Reckitt & Colman for a licence to make and distribute Pripsen in the UK and Irish Republic, together with an option to acquire the trademarks and manufacturing and distribution rights to the brand in these territories. Pripsen is a treatment for intestinal worm infestations.

**SHAFTESBURY** has had its management contract for the Trocadero Island site in London extended for four years by the receivers.

**SHERWOOD** director MJ Basford and his wife have sold 100,000 ordinary at 154p per share.

**WEST TRUST** shareholders have taken up 11.98m new ordinary shares, 81 per cent of the rights issue. The balance has been placed with institutions.

# Lex to import Komatsu trucks

By Paul Taylor

Lex Service, the UK's largest car distribution and leasing group, has become the sole importer of Komatsu lift trucks into England and Wales after paying a total of £6.5m to acquire the lift truck distribution business of Handling Analysis.

Lex has paid £5.9m out of its own cash resources for the distribution business and importership, and a further £600,000 for an associated transaction involving Handling Analysis' 60-strong fleet of contract hire lift trucks and service facilities.

The net assets being acquired were £3.5m after a pre-sale dividend of £2m.

Handling Analysis, a subsidiary of Northampton-based AJ Mackaness, imports and distributes lift trucks through a network of 12 independent dealers.

In the year to October it made a pre-tax profit of £900,000 on turnover of £13m.

The company's biggest customer, representing about 40 per cent of UK sales, is Harvey Plant which is managed by Lex and jointly owned by Lex and Lombard North Central.

Harvey has 7,500 lift trucks on long term contract hire and is the largest company in the sector in the UK with 19 depots around the country.

Harvey buys about 1,000 lift trucks a year of which about 40 per cent are Komatsu. The Japanese-based group is the third-largest lift truck manufacturer in the world having risen from sixth place in 1990.

Last year Komatsu's share of the UK market was about 8 per cent. The UK is Komatsu's most important European market. In order to offset the rising yen the Japanese group has shifted production to Europe in recent years.

Lex said yesterday that despite the close links between Handling Analysis and Harvey Plant, the two companies will continue to be managed independently with Lex emphasising the development of Handling Analysis' dealer network.

## Eurocopy purchase

Eurocopy has acquired Triangle Systems for £260,800 in cash.

Triangle, which supplies and services Ricoh photocopiers and facsimile machines, made pre-tax profits of £36,000 in the year to September 30.

Net assets at that date amounted to £244,000.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Prices for trading on 13.01.94: Pool purchase price £/MWh | Final Prices for Trading on 12.01.94: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 22.73 | 18.22 | 18.22 |
| 0100 | 25.29 | 24.60 | 26.70 |
| 0130 | 25.29 | 24.60 | 26.70 |
| 0200 | 25.29 | 24.60 | 26.70 |
| 0230 | 25.29 | 24.60 | 26.70 |
| 0300 | 25.29 | 24.60 | 26.70 |
| 0330 | 25.29 | 24.60 | 26.70 |
| 0400 | 25.29 | 24.46 | 26.56 |
| 0430 | 23.39 | 23.07 | 25.08 |
| 0500 | 23.39 | 18.12 | 18.12 |
| 0530 | 22.57 | 23.07 | 25.18 |
| 0600 | 22.57 | 23.07 | 25.18 |
| 0630 | 22.57 | 23.07 | 25.18 |
| 0700 | 23.16 | 23.08 | 25.19 |
| 0730 | 23.16 | 23.80 | 25.91 |
| 0800 | 24.73 | 23.81 | 25.92 |
| 0830 | 24.73 | 23.82 | 25.93 |
| 0900 | 24.73 | 25.93 | 28.05 |
| 0930 | 24.73 | 25.94 | 28.05 |
| 1000 | 33.00 | 32.04 | 34.15 |
| 1030 | 33.00 | 32.04 | 34.15 |
| 1100 | 24.73 | 25.94 | 28.05 |
| 1130 | 24.73 | 25.94 | 28.05 |
| 1200 | 33.00 | 25.94 | 28.05 |
| 1230 | 33.00 | 25.93 | 28.04 |
| 1300 | 24.73 | 23.81 | 25.92 |
| 1330 | 24.73 | 23.29 | 25.40 |
| 1400 | 25.77 | 23.29 | 25.39 |
| 1430 | 23.50 | 23.29 | 25.39 |
| 1500 | 23.50 | 23.29 | 25.39 |
| 1530 | 23.20 | 23.29 | 25.40 |
| 1600 | 23.60 | 23.96 | 26.30 |
| 1630 | 28.26 | 32.42 | 36.22 |
| 1700 | 30.21 | 50.77 | 55.91 |
| 1730 | 40.08 | 51.68 | 54.50 |
| 1800 | 39.88 | 46.00 | 50.05 |
| 1830 | 36.56 | 30.32 | 32.67 |
| 1900 | 27.13 | 26.15 | 28.35 |
| 1930 | 27.09 | 25.82 | 28.05 |
| 2000 | 26.23 | 25.93 | 27.94 |
| 2030 | 24.79 | 24.01 | 26.12 |
| 2100 | 23.50 | 24.01 | 26.12 |
| 2130 | 23.50 | 23.95 | 26.06 |
| 2200 | 23.50 | 23.27 | 25.37 |
| 2230 | 23.50 | 23.27 | 25.37 |
| 2300 | 23.10 | 23.07 | 25.18 |
| 2330 | 18.09 | 18.17 | 18.17 |
| 2400 | 18.07 | 18.09 | 18.09 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.55/MWh becomes 1.855p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and [illegible] Monday to Friday.
©Energy Settlements and Information Services Limited



# Volatile trading hits Bromsgrove

By Paul Cheeseright, Midlands Correspondent

Interim profits at Bromsgrove Industries sagged as its operating divisions contended with volatile trading and continuing pressure on margins.

The Birmingham-based specialist engineer announced pre-tax profits for the half year to September 30 of £3.14m (£4m); turnover expanded to £57.5m (£53.7m).

Acquisitions contributed £3.67m to turnover and £672,000 to the pre-tax line.

If non-recurring costs, amounting to £1.1m against £400,000 last time, are stripped out the disparity is less marked. Profits would have been £4.2m against £4.4m.

At the trading level, the aerospace and medical and industrial divisions performed strongly while automotive and plastics were steady, but the marine and offshore and environmental divisions faced reduced demand.

Overall operating margins fell from 10.3 per cent to 9.5 per cent.

Gearing since the end of the first half has fallen from 69.8 per cent to 57 per cent and can be expected to fall further as Bromsgrove sells companies it now sees as peripheral to a plan for greater concentration of its interests. The group is seeking to create larger profit centres from a series of small but specialist engineering companies.

The interim dividend is maintained at 1.65p, payable from fully diluted earnings of 3.18p (4.07p) per share.

# Sharp recovery at J Saville Gordon

J Saville Gordon, the property investment group with merchanting interests, is doubling its interim dividend on the back of a sharp recovery in first half profits, writes Paul Cheeseright.

Pre-tax profits for the six months to October 31 were £2.62m, more than twice last time's £1.26m.

Earnings per share climbed from 0.85p to 1.74p; the interim dividend is raised to 1p but the company told shareholders "this should not infer a similar increase in the final dividend." The total for 1992-93 was 2.2p.

Total turnover was £17.6m against £13.8m, after sales of £12m (£10.4m) from the pipeline equipment and stockholding subsidiary.

Underlying the improved performance were three factors. First, there was a rise in property rental income, largely because of rent reviews; this should continue in the second half. Second, rising prices in the property investment market encouraged the group to make sales of properties unwanted in its portfolio; there had been no property trading income in the comparable half.

The third factor was the effect of lower interest rates. Interest payable fell from £2.02m to £1.53m. Helped by property sales, gearing fell from 78 per cent to 65 per cent over the period, but is expected to rise again in the second half if two planned acquisitions are completed.

"Our property portfolio continues to perform well," said Mr John Saville, chairman. The group calculates that the value of its holdings, all of which are outside central London, has probably increased by about 20 per cent since the last financial year as investment yields have narrowed.

# Sun Alliance breaks lower 10-year trend

By Bethan Hutton

Sun Alliance has improved pay-outs for with-profits endowment policies over both 10 and 25 year terms, making it the first insurer to raise its 10-year pay-out so far this year.

The company said the upturn in the UK equity market during 1993 allowed it to improve maturity values by increasing terminal bonuses, but it has cut reversionary bonuses, which are added to each policy annually and reflect the company's view of likely future investment returns.

The pay-out on a typical 25-year policy, taken out by a 29 year old man paying £30 a month is £52,640, up 5.2 per cent from last year. The 10-year pay-out is £6,115, up 1.8 per cent. However, Sun Alliance's maturity values are still at the lower end of the scale: the comparative figures for General Accident are £65,604 and £6,567, and for Norwich Union £58,694 and £6,674.

## COMMODITIES AND AGRICULTURE

# Speculators push up metal prices

**By Kenneth Gooding, Mining Correspondent**

Speculators are ignoring the fundamentally poor outlook for base metals and driving up prices on the London Metal Exchange, traders and analysts suggest. The trend could be reversed very quickly, they point out.

"Metals are cheap compared with the stock and bond markets and a little money can move prices quite a long way," Mr Wiktor Bielski, analyst at Bain & Co, part of the Deutsche Bank group, said last night. "Any speculator who bought at the lows and sold at the highs today would have made a tidy profit."

Traders said the only solid buying yesterday was in the copper market, where some investment funds were influenced by strengthening demand for the metal in the US and a fall in New York Commodity Exchange stock levels.

Mr Bielski pointed out that nickel was the "star performer" in the present rally, having moved up by 50 per cent from the lows in October even though the metal's prospects had been deteriorating.

Nickel for delivery in three months closed last night another $160 up at $5,707.50 a tonne, having jumped by nearly 8 per cent since Friday's close. Three-month copper added $27.75 a tonne yesterday to close at $1,800.5, up by about 3 per cent since Friday.

# Indonesian copper/gold reserve estimates lifted

**By Kenneth Gooding**

Further confirmation came yesterday that the highlands of Irian Jaya in Indonesia contain one of the world's great copper-gold ore bodies.

Freeport-McMoRan Copper & Gold revealed that proven and probable reserves at the Ertsberg/Grasberg mining complex there had been increased substantially in the past year and said that the current US$140m expansion programme was on schedule to boost annual production to about 1.1bn lb of copper and 1.5m troy ounces of gold in 1996. This will make the complex the world's second-largest copper producer – accounting for about 5 per cent of western world demand – and one of the top ten gold producers.

Last year Ertsberg/Grasberg sold about 644m lb of copper and 740m ounces of gold.

Grasberg already had the largest published gold reserve of any single operating mine. Freeport said yesterday that in the past year another 7m ounces had been discovered, boosting reserves by 22 per cent to 39.1m ounces. Copper reserves were up by 28 per cent, or 5.9bn lb, to 26.8bn lb and silver reserves jumped by 72 per cent, or 32m ounces, to 76.7m ounces.

Even at the expanded capacity the increased reserves give the mine a life of about 25.5 years but Freeport continues to explore – it has nine drilling rigs in operation.

Freeport also announced that its fourth-quarter 1993 net income would be about 15 cents a share compared with 17 cents in the same months of 1992.

The latest figure includes an estimated $9m loss at Rio Tinto Minera in Spain, which Freeport acquired last year so as to have "captive" copper smelting capacity for some of the Indonesian concentrate (an intermediate material).

Freeport Copper, 72 per cent-owned by Freeport-McMoRan, another US quoted group, in turn controls 85 per cent of Freeport Indonesia, which owns and operates the Ertsberg/Grasberg complex.

# Adding value to the sweet-talk

**Alison Maitland** meets a man who is undaunted by the task of reviving the fortunes of the International Sugar Organisation

Dr Peter Baron, the new executive director of the International Sugar Organisation, likes to look on the bright side. He even professes to be "one of the few who like Canary Wharf," the controversial east London development in which the ISO now has its headquarters. "It's the 21st century here," he says, surveying the Thames and an adjacent muddy building site from the fifth floor office in which he took up residence at the start of the year.

The German-born commodity expert's cheery outlook could be a valuable asset as he takes the reins of an organisation struggling to recover from a series of setbacks that threatened its survival.

"It was a real challenge for me to come back," says Dr Baron, 53, who has run German wine policy in Bonn for the past three years, after 15 years as his country's chief representative at the world's food commodity meetings.

He was seen as a forceful chairman of the International Cocoa Council in London in 1990 and presided over the United Nations sugar conference in Geneva in 1992, which hammered out a new five-year agreement.

"I love the international commodity business and I jumped at the chance. It was a particular challenge to take over an organisation under difficult circumstances."

A financial crisis in 1992, precipitated by defaults in subscription payments, took the ISO to the brink of liquidation. Then, when the new sugar agreement was reached, the US withdrew because its proposal to downgrade the body to a study group was rejected.

Some say a study group is what the sugar body has effectively become. The US move coincided with a growing rejection by governments of international commodity agreements on the grounds that the market, rather than buffer stocks and quotas, would prove more effective at balancing supply and demand.

International sugar agreements were stripped of economic measures for intervening in the market in 1985, following the failure of buffer stocks to stabilise the market in the 1970s and 1980s.

A further blow to the ISO's standing was the break-up of the Soviet Union, which led to a drop in votes of more than 10 per cent. Today the organisation has just 30 members, compared with 59 in 1982, when the sugar agreement still contained economic measures, and 42 in 1992.

Dr Baron is undaunted. "Let's start with the good news," he says. "Ecuador joined a few days ago."

He sees the recruitment of new members as one of his most important tasks. "The more members we have, the better and more reliable our data and studies because members have to give us their statistical data. We also need a safe financial base. The more members share the burden, the less individual members have to pay."

The cost is £396 a vote, with smaller countries having at least six votes while the European Union, the largest member, has 413 out of a total of 1,834.

Dr Baron, whose appointment followed the death last year of his predecessor, Mr Alfredo Ricart, hopes to persuade the US, as well as Canada and the Philippines, which left at about the same time, to return to the fold. He also aims to win back Russia and Ukraine and has had "very encouraging contacts" with Arab League states, which are big sugar consumers.

"The key question is whether the ISO can convince its bosses, the governments, that it's valuable having membership and continuing to subscribe," says Mr Chris Pack, head of research at Czarnikow, the London trade house.

The ISO has a budget of just £800,000. It is still owed £250,000 in subscription arrears, some of it dating back to 1986, and has cut its staff from 29 to 10 in the past three years.

"It's not easy to cope with the expectations of members with this small budget," says Dr Baron. "But in a couple of years we should convince them we're worth that and a bit more."

The ISO has "the best data network in sugar worldwide", he says, pointing to its "little red book" of statistics on production, consumption, imports, exports and stocks for each country, its regular publications, international seminars and market analysis.

Another of his objectives is to help raise sugar consumption, growing by about 2 per cent a year globally, by exploring non-food uses for sugar.

Mr Pack of Czarnikow believes Dr Baron is the man for the job, although he says it is unclear what new functions the sugar organisation might take on.

"He's got a reputation for hard work and lots of German thoroughness. If there's a role for the ISO to play then he will spend a great deal of energy in finding it."

Peter Baron: "It was a particular challenge to take over an organisation under difficult circumstances."

# Outlook brightens for New Zealand livestock sector

**By Terry Hall in Wellington**

New Zealand's sheep and beef farmers are looking forward to a bonanza year thanks to a happy coincidence of excellent weather, an improving international economic climate and the settlement in the General Agreement on Tariffs and Trade.

Mr Rob Davison, director of the Meat and Wool Board's Economic Service, yesterday predicted that the average farm's pre-tax profits would rise by about 15 per cent to NZ$42,300 (£15,900), which would be the highest level since the 1984-85 season.

Mr Davison said the year's start was "excellent by all measures". Cattle were in good condition and the numbers and condition of lambs was greatly improved on last season. He suggested that there could be some rebuilding of the national sheep flock, which fell to 50.3m head late last year, a 30-year low.

Over the past decade sheep numbers have fallen by 20m, from an all-time high of 70.3m in 1983, in reaction to a combination of low wool prices and adverse weather conditions that has encouraged farmers to switch to dairying and forestry.

Good seasonal conditions were expected to boost the wool clip and provide a 7 per cent rise in production, Mr Davison said. Wool prices had been volatile but were expected to show an underlying upward trend.

In a separate report the Wool Board said that the average market indicator, the price of wool per kilogram, was 400 NZ cents at December 30, compared with the board's own forecast 400 to 425 cents. In its review of the first six months of the season the board said it expected prices to continue to improve over the rest of the season to June 30. It said it was sticking with its prediction of an average price this season of up to 425 cents a kilogram.

In his report Mr Davison said farmers should expect good prices to continue for lamb and sheep, which should rise by a further 5 per cent on last season.

"The outlook for sheep products is good. Though wool prices are at a low level for the fourth consecutive year, growth in the world economy and lower wool supplies are expected to lift prices over the next few years," he explained.

"The Gatt agreement provides optimism for the future, though in the current year access problems remain.". Last week the US confirmed that it was reducing the amount of beef it would buy from New Zealand in the coming 12 months.

"The medium term prospect for meat and wool farmers is for less competition from subsidised producers, which has been leading to surpluses on world markets and lower prices," Mr Davison said. New Zealand farmers operate without subsidies of any kind.

Discussing beef prices, Mr Davison said the outlook was less certain. "Prices are are expected to ease by 5 to 8 per cent from last season, but will still be at a good level for the fifth consecutive year," he said.

# European Court to rule on quota compensation

**By Deborah Hargreaves**

The European Court is being asked to decide whether the British government should set up a scheme to force tenant farmers to compensate landowners when they transfer European Union livestock quotas elsewhere.

A judicial review sought by the Country Landowners Association, which says holdings can become uncommercial if farmers transfer or sell quotas on giving up the land, yesterday transferred the case to the European Court. This could mean a delay of up to 18 months before it is heard.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1155-6 | 1019-9.5 |
| Previous | 1153.5-4.5 | 1170-1 |
| High/low | | 1176/1163 |
| AM Official | 1162.5-3.5 | 1170-1 |
| Kerb close | | 1167.5-68 |
| Open int. | 282,751 | |
| Total daily turnover | 58,821 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 922-7 | 1015-20 |
| Previous | 987-92 | 1013-4 |
| High/low | | 1020/1015 |
| AM Official | 993-5 | 1017-9 |
| Kerb close | | 1015-16 |
| Open int. | 2,740 | |
| Total daily turnover | 692 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 478-9 | 491-2 |
| Previous | 472.5-3.5 | 486-6.5 |
| High/low | | 495/486 |
| AM Official | 479-80 | 492-3 |
| Kerb close | | 490-91 |
| Open int. | 31,408 | |
| Total daily turnover | 5,665 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5640-50 | 5705-10 |
| Previous | 5485-90 | 5545-50 |
| High/low | 5720 | 5785/5510 |
| AM Official | 5715-20 | 5785-90 |
| Kerb close | | 5680-85 |
| Open int. | 52,868 | |
| Total daily turnover | 13,870 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 4845-55 | 4900-5 |
| Previous | 4760-70 | 4810-20 |
| High/low | | 4920/4825 |
| AM Official | 4775-80 | 4820-5 |
| Kerb close | | 4870-80 |
| Open int. | 16,456 | |
| Total daily turnover | 3,463 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 999.5-1000.5 | 1019-9.5 |
| Previous | 981-3 | 1000-2 |
| High/low | | 1020/994 |
| AM Official | 998-9 | 1018-9 |
| Kerb close | | 1014-15 |
| Open int. | 99,779 | |
| Total daily turnover | 22,708 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1778-9 | 1800-1 |
| Previous | 1750.5-1.5 | 1772.5-3.0 |
| High/low | 1763 | 1801/1757 |
| AM Official | 1762-3 | 1788-9 |
| Kerb close | | 1791-92 |
| Open int. | 252,941 | |
| Total daily turnover | 70,249 | |

■ LME AM Official £/$ rate: 1.5000
LME Closing £/$ rate: 1.5029

Spot:1.5018 3 mths:1.4936 6 mths:1.4888 9 mths:1.4818

■ HIGH GRADE COPPER (COMEX)

| | Close | Day's change | High | low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 81.20 | +0.25 | 81.50 | 81.20 | 1,148 | 221 |
| Feb | 81.10 | +0.10 | 81.20 | 81.20 | 1,293 | 27 |
| Mar | 81.35 | +0.15 | 82.40 | 81.25 | 39,921 | 7,585 |
| Apr | 81.50 | +0.15 | - | - | 720 | 20 |
| May | 81.65 | +0.15 | 82.65 | 81.60 | 8,357 | 559 |
| Jun | 81.75 | +0.05 | 82.55 | 82.55 | 834 | 6 |
| Total | | | | | 65,969 | 8,928 |

### PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold (Troy oz.) | $ price | £ equiv. |
|---|---|---|
| Close | 386.00-386.40 | |
| Opening | 386.30-387.00 | |
| Morning fix | 386.60 | 258.280 |
| Afternoon fix | 386.10 | 257.006 |
| Day's High | 387.60-388.00 | |
| Day's Low | 385.60-386.00 | |
| Previous close | 385.00-385.50 | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 2.72 | 6 months | 2.74 |
| 2 months | 2.72 | 12 months | 2.78 |
| 3 months | 2.71 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 340.90 | 510.50 |
| 3 months | 345.25 | 514.20 |
| 6 months | 349.60 | 518.45 |
| 1 year | 358.00 | 527.75 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 388-391 | 260-262 |
| Maple Leaf | 397.35-399.85 | |
| New Sovereign | 89-92 | 59-62 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Jan | 388.3 | -1.7 | - | - | 81,845 | 28,574 |
| Feb | 386.9 | -1.8 | 388.0 | 385.0 | 31 | 5 |
| Mar | 387.8 | -1.8 | 389.2 | 388.2 | 18,343 | 5,676 |
| Apr | 388.9 | -1.8 | 389.9 | 387.0 | 23,550 | 4,509 |
| Jun | 390.7 | -1.8 | 391.8 | 389.0 | 4,241 | 2,564 |
| Aug | 392.7 | -1.8 | 393.0 | 391.0 | 3,261 | 1,393 |
| Total | | | | | 157,271 | 44,937 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Jan | 386.8 | -1.9 | - | - | 213 | - |
| Apr | 388.8 | -1.9 | 390.5 | 387.5 | 16,416 | 1,289 |
| Jul | 390.1 | -1.8 | 392.5 | 390.0 | 2,422 | 140 |
| Oct | 391.1 | -1.7 | 393.0 | 393.0 | 245 | - |
| Jan | 393.0 | -1.7 | 395.0 | 395.0 | 136 | 1 |
| Total | | | | | 19,432 | 1,429 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Mar | 123.65 | -0.35 | - | - | 4,037 | 215 |
| Jun | 123.40 | +0.25 | 124.50 | 123.50 | 718 | 59 |
| Sep | 122.90 | +0.50 | 124.00 | 122.75 | 93 | 52 |
| Dec | 122.40 | +0.50 | - | - | 74 | 5 |
| Total | | | | | 4,922 | 331 |

■ SILVER COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Jan | 507.5 | -3.4 | - | - | 3 | 4 |
| Feb | 508.6 | -3.5 | - | - | 6 | - |
| Mar | 510.0 | -3.5 | 518.0 | 508.5 | 69,856 | 17,308 |
| May | 513.3 | -3.5 | 517.5 | 512.0 | 12,318 | 1,545 |
| Jul | 516.4 | -3.5 | 520.5 | 515.0 | 8,528 | 348 |
| Sep | 519.6 | -3.5 | - | - | 2,636 | 34 |
| Total | | | | | 106,864 | 19,522 |

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Feb | 14.56 | -0.29 | 15.05 | 14.44 | 82,745 | 46,723 |
| Mar | 14.83 | -0.28 | 15.29 | 14.68 | 84,772 | 32,295 |
| Apr | 15.06 | -0.26 | 15.41 | 14.91 | 37,320 | 9,843 |
| May | 15.25 | -0.26 | 15.55 | 15.10 | 29,118 | 4,940 |
| Jun | 15.44 | -0.27 | 15.80 | 15.37 | 37,956 | 2,180 |
| Jul | 15.65 | -0.25 | 16.00 | 15.55 | 16,875 | 1,741 |
| Total | | | | | 433,158 | 101,807 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Feb | 13.68 | -0.15 | 14.00 | 13.63 | 53,064 | 12,220 |
| Mar | 13.65 | -0.17 | 14.02 | 13.60 | 62,009 | 19,306 |
| Apr | 13.81 | -0.18 | 14.17 | 13.78 | 20,442 | 2,151 |
| May | 13.96 | -0.27 | 14.30 | 13.96 | 8,535 | 475 |
| Jun | 14.30 | -0.13 | 14.50 | 14.30 | 7,813 | 484 |
| Jul | 14.43 | -0.15 | 14.64 | 14.43 | 5,916 | 206 |
| Total | | | | | 162,620 | 40,958 |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Feb | 48.65 | +0.23 | 49.20 | 48.15 | 49,816 | 25,014 |
| Mar | 46.10 | -0.40 | 47.05 | 45.85 | 42,126 | 15,471 |
| Apr | 44.80 | -0.70 | 46.00 | 44.70 | 27,005 | 8,394 |
| May | 44.35 | -0.70 | 45.00 | 44.30 | 27,161 | 2,331 |
| Jun | 44.40 | -0.50 | 45.10 | 44.30 | 19,834 | 2,555 |
| Jul | 45.10 | -0.35 | 45.50 | 45.00 | 13,980 | 2,368 |
| Total | | | | | 201,514 | 58,969 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Feb | 143.25 | -25 | 145.50 | 142.75 | 14,644 | 4,976 |
| Mar | 143.00 | -75 | 145.25 | 142.50 | 31,255 | 13,114 |
| Apr | 142.25 | -125 | 144.50 | 142.00 | 18,563 | 3,805 |
| May | 143.00 | -150 | 145.00 | 142.50 | 11,473 | 2,018 |
| Jun | 143.50 | -175 | 145.75 | 142.75 | 7,044 | 762 |
| Jul | 145.25 | -175 | 147.50 | 145.25 | 12,905 | 909 |
| Total | | | | | 116,108 | 27,167 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Feb | 2.230 | +0.011 | 2.250 | 2.220 | 23,545 | 12,291 |
| Mar | 2.130 | +0.016 | 2.145 | 2.120 | 14,661 | 5,741 |
| Apr | 2.045 | +0.013 | 2.055 | 2.040 | 18,031 | 2,635 |
| May | 2.010 | +0.005 | 2.025 | 2.010 | 10,333 | 1,073 |
| Jun | 1.995 | +0.002 | 2.005 | 1.985 | 7,583 | 821 |
| Jul | 1.985 | +0.004 | 1.995 | 1.980 | 7,830 | 1,127 |
| Total | | | | | 125,399 | 28,833 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Feb | 41.65 | -0.99 | 42.90 | 41.40 | 37,586 | 14,646 |
| Mar | 42.50 | -0.93 | 43.75 | 42.40 | 32,916 | 6,270 |
| Apr | 45.50 | -0.86 | 46.40 | 45.45 | 25,850 | 2,333 |
| May | 46.35 | -0.78 | 47.30 | 46.35 | 27,746 | 976 |
| Jun | 46.95 | -0.83 | 48.00 | 46.90 | 9,990 | 778 |
| Jul | 47.55 | -0.64 | 47.55 | 47.55 | 2,567 | 62 |
| Total | | | | | 140,525 | 25,482 |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 99.90 | +0.10 | 100.00 | 99.80 | 80 | 72 |
| Mar | 101.10 | -0.90 | 101.35 | 101.00 | 2,010 | 66 |
| May | 102.15 | +0.15 | 102.50 | 102.05 | 1,660 | 59 |
| Jun | 102.35 | -0.20 | 102.75 | 102.25 | 152 | 40 |
| Sep | 91.60 | -0.30 | 92.25 | 91.65 | 129 | 23 |
| Nov | 92.65 | -0.35 | 93.35 | 92.60 | 567 | 112 |
| Total | | | | | 4,791 | 372 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 387/6 | +2/0 | 391/0 | 385/2 | 151,015 | 32,285 |
| May | 364/4 | +1/6 | 366/0 | 362/6 | 45,550 | 5,975 |
| Jul | 350/2 | +4/0 | 351/4 | 346/4 | 65,680 | 8,515 |
| Sep | 351/4 | +3/4 | 352/6 | 348/4 | 9,525 | 730 |
| Dec | 360/4 | +5/4 | 360/4 | 357/4 | 9,945 | 750 |
| Jul | 327/4 | - | - | - | 20 | - |
| Total | | | | | 281,715 | 51,245 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 304/6 | -1/2 | 306/0 | 304/4 | 686,905 | 124,345 |
| May | 309/2 | -1/0 | 310/2 | 308/4 | 431,850 | 45,510 |
| Jul | 309/6 | -1/0 | 310/6 | 308/6 | 354,430 | 43,955 |
| Sep | 286/4 | -2/4 | 288/2 | 286/0 | 63,145 | 5,605 |
| Dec | 267/2 | -2/4 | 269/0 | 267/0 | 186,945 | 19,805 |
| Mar | 273/0 | -2/4 | 274/4 | 273/0 | 11,785 | 765 |
| Total | | | | | 1.738M | 286,190 |

■ BARLEY LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 104.50 | - | 104.05 | 104.05 | 108 | 10 |
| Mar | 105.80 | -0.20 | - | - | 707 | - |
| May | 106.90 | -0.10 | - | - | 203 | - |
| Sep | 93.00 | +0.50 | - | - | 40 | - |
| Nov | 94.90 | +0.50 | 95.00 | 95.00 | 52 | - |
| Jan | 98.70 | -0.70 | - | - | - | - |
| Total | | | | | 2,757 | 220 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 686/2 | +1/0 | 687/0 | 683/6 | 19,585 | 30,085 |
| Mar | 693/6 | +0/4 | 695/4 | 691/6 | 407,505 | 159,445 |
| May | 697/6 | +0/4 | 699/0 | 695/6 | 177,340 | 26,095 |
| Jul | 697/6 | +1/0 | 699/0 | 695/6 | 155,370 | 22,465 |
| Aug | 691/0 | +0/2 | 692/2 | 690/0 | 25,830 | 1,1230 |
| Sep | 666/6 | +0/2 | 667/6 | 666/0 | 14,745 | 1,065 |
| Total | | | | | 868,915 | 253,920 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 29.08 | +0.14 | 29.12 | 28.93 | 4,464 | 1,531 |
| Mar | 28.99 | +0.11 | 29.08 | 28.83 | 42,609 | 9,420 |
| May | 28.69 | +0.09 | 28.77 | 28.58 | 19,418 | 1,919 |
| Jul | 28.15 | +0.04 | 28.27 | 28.07 | 13,879 | 3,827 |
| Aug | 27.65 | - | 27.75 | 27.60 | 5,120 | 184 |
| Sep | 26.95 | +0.15 | 26.95 | 26.85 | 4,064 | 210 |
| Total | | | | | 96,915 | 17,771 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 195.8 | +0.2 | 196.0 | 194.5 | 5,342 | 2,791 |
| Mar | 197.3 | +1.1 | 197.4 | 196.0 | 40,071 | 17,225 |
| May | 198.3 | +1.0 | 198.6 | 197.1 | 14,442 | 2,387 |
| Jul | 199.4 | +1.2 | 199.6 | 198.2 | 13,014 | 1,875 |
| Aug | 198.7 | +1.7 | 198.7 | 197.3 | 5,608 | 370 |
| Sep | 197.3 | +1.3 | 197.5 | 196.5 | 3,036 | 307 |
| Total | | | | | 88,046 | 25,924 |

■ POTATOES LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 135.0 | -0.5 | - | - | 34 | - |
| Apr | 110.3 | -1.7 | 112.5 | 110.0 | 1,979 | 169 |
| May | 129.5 | -0.8 | 131.5 | 129.0 | 744 | 61 |
| Jun | 130.0 | - | - | - | 2 | - |
| Nov | 85.0 | - | - | - | - | - |
| Mar | 105.0 | - | - | - | - | - |
| Total | | | | | 2,767 | 220 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 1253 | +8 | 1260 | 1245 | 819 | 12 |
| Feb | 1280 | +12 | 1288 | 1270 | 198 | 21 |
| Mar | 1293 | +18 | - | - | 60 | - |
| Apr | 1318 | +13 | 1315 | 1310 | 882 | 20 |
| Jul | 1186 | +16 | 1185 | 1185 | 225 | 5 |
| Oct | 1335 | +5 | - | - | 221 | - |
| Total | | | | | 2,457 | 58 |

| | Close | Prev |
|---|---|---|
| BFI | 1230 | 1220 |

**COTTON**

Liverpool- Spot and shipment sales amounted to 146 tonnes for the week ended 7 January, against 510 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in the Benin and Central Asian range.

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 889 | +9 | 892 | 866 | 35,047 | 2,372 |
| May | 905 | +9 | 905 | 885 | 14,052 | 2,465 |
| Jul | 919 | +9 | 919 | 900 | 9,267 | 830 |
| Sep | 934 | +9 | 935 | 914 | 10,248 | 821 |
| Dec | 952 | +8 | 952 | 934 | 14,099 | 537 |
| Mar | 965 | +5 | 964 | 948 | 24,594 | 219 |
| Total | | | | | 125,819 | 7,462 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 1150 | +32 | 1152 | 1114 | 33,263 | 5,527 |
| May | 1182 | +31 | 1183 | 1148 | 14,630 | 1,518 |
| Jul | 1214 | +24 | 1214 | 1180 | 9,594 | 1,337 |
| Sep | 1240 | +25 | 1235 | 1208 | 8,392 | 136 |
| Dec | 1265 | +25 | 1261 | 1234 | 6,541 | 317 |
| Mar | 1280 | +25 | - | - | 7,537 | 50 |
| Total | | | | | 88,417 | 8,835 |

■ COCOA (ICCO) (SDR's/tonne)

| | Price | Prev. day |
|---|---|---|
| Jan 11 | | |
| Daily | 904.96 | 922.21 |
| Jan 12 | | |
| 10 day average | 921.41 | 924.90 |

■ COFFEE LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 1180 | -6 | 1182 | 1172 | 1,137 | 72 |
| Mar | 1195 | -5 | 1196 | 1186 | 15,044 | 2,034 |
| May | 1198 | +1 | 1198 | 1188 | 9,642 | 1,215 |
| Jul | 1194 | +2 | 1194 | 1187 | 1,744 | 1,078 |
| Sep | 1194 | +1 | 1193 | 1187 | 1,032 | 838 |
| Nov | 1194 | - | 1195 | 1188 | 369 | 429 |
| Total | | | | | 28,991 | 5,987 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 72.95 | +1.25 | 73.05 | 71.40 | 35,563 | 5,455 |
| May | 74.70 | +1.30 | 74.75 | 73.20 | 11,664 | 1,388 |
| Jul | 76.15 | +1.20 | 76.10 | 74.80 | 3,757 | 415 |
| Sep | 77.35 | +0.85 | 77.20 | 76.40 | 2,384 | 77 |
| Dec | 79.10 | +1.10 | 78.90 | 78.75 | 1,349 | 35 |
| Mar | 80.85 | +1.15 | - | - | 766 | 24 |
| Total | | | | | 55,485 | 7,394 |

■ COFFEE (ICO) (US cents/pound)

| | Price | Prev. day |
|---|---|---|
| Jan 11 | | |
| Comp. daily | 68.42 | 69.06 |
| 15 day average | 69.83 | 70.15 |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 10.90 | - | - | - | 1,086 | - |
| May | 11.29 | -0.02 | 11.30 | 11.24 | 678 | 60 |
| Jul | 11.53 | -0.02 | - | - | 2,868 | - |
| Oct | 11.27 | +0.01 | - | - | 54 | - |
| Total | | | | | 4,686 | 60 |

■ WHITE SUGAR LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 289.20 | -1.6 | 289.5 | 287.20 | 6,748 | 747 |
| May | 291.50 | +1.4 | 291.70 | 290.00 | 2,035 | 268 |
| Aug | 296.10 | +1.5 | 298.10 | 295.00 | 1,420 | 65 |
| Oct | 285.80 | +1.5 | 286.20 | 285.00 | 1,822 | 80 |
| Dec | 284.60 | +1.3 | - | - | 80 | - |
| Mar | 285.60 | +1.2 | - | - | 63 | - |
| Total | | | | | 12,189 | 1,160 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 304/6 | -1/2 | 306/0 | 304/4 | 49,085 | 8,981 |
| May | 309/2 | -1/0 | 310/2 | 308/4 | 26,768 | 4,156 |
| Jul | 309/6 | -1/0 | 310/6 | 308/6 | 15,938 | 1,205 |
| Sep | 286/4 | -2/4 | 288/2 | 286/0 | 14,862 | 1,005 |
| Dec | 267/2 | -2/4 | 269/0 | 267/0 | 2,335 | 65 |
| Mar | 273/0 | -2/4 | 274/4 | 273/0 | 37 | 1 |
| Total | | | | | 109,128 | 15,422 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Mar | 69.60 | +0.49 | 69.85 | 68.85 | 24,030 | 4,615 |
| May | 70.66 | +0.46 | 70.70 | 69.95 | 12,871 | 2,333 |
| Jul | 71.45 | +0.47 | 71.50 | 70.70 | 7,529 | 1,183 |
| Oct | 70.03 | +0.73 | 70.05 | 69.30 | 1,309 | 325 |
| Dec | 68.50 | +0.51 | 68.55 | 67.70 | 6,911 | 977 |
| Mar | 69.30 | +0.40 | - | - | 63 | 5 |
| Total | | | | | 52,732 | 9,440 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jan | 195.8 | +0.2 | 196.0 | 194.5 | 542 | 173 |
| Mar | 197.3 | +1.1 | 197.4 | 196.0 | 12,122 | 1,125 |
| May | 198.3 | +1.0 | 198.6 | 197.1 | 2,785 | 196 |
| Jul | 199.4 | +1.2 | 199.6 | 198.2 | 1,098 | 22 |
| Aug | 198.7 | +1.7 | 198.7 | 197.3 | 740 | 54 |
| Sep | 197.3 | +1.3 | 197.5 | 196.5 | 148 | 1 |
| Total | | | | | 17,877 | 1,576 |

**VOLUME DATA**

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

### INDICES

■ REUTERS (Base: 18/9/31=100)

| Jan 12 | Jan 11 | month ago | year ago |
|---|---|---|---|
| 1671.3 | 1669.0 | 1670.7 | 1711.4 |

■ CRB (Base: 4/9/56=100)

| Jan 11 | Jan 10 | month ago | year ago |
|---|---|---|---|
| 226.30 | 225.25 | 224.18 | 202.71 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Feb | 74.150 | -0.125 | 74.500 | 74.050 | 30,122 | 8,221 |
| Apr | 76.725 | +0.025 | 76.950 | 76.475 | 22,125 | 3,942 |
| Jun | 74.400 | +0.025 | 74.625 | 74.350 | 18,968 | 2,515 |
| Aug | 73.200 | -0.125 | 73.450 | 73.175 | 9,278 | 2,304 |
| Oct | 73.200 | -0.075 | 73.400 | 73.200 | 5,393 | 1,135 |
| Dec | 74.000 | -0.050 | 74.150 | 73.950 | 811 | 13 |
| Total | | | | | 84,722 | 18,130 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Feb | 47.075 | -0.100 | 47.275 | 46.850 | 9,849 | 2,982 |
| Apr | 48.525 | -0.200 | 48.775 | 48.200 | 7,989 | 1,503 |
| Jun | 53.650 | -0.225 | 53.925 | 53.525 | 6,480 | 656 |
| Jul | 53.225 | -0.225 | 53.475 | 53.075 | 2,927 | 324 |
| Aug | 51.875 | -0.300 | 52.100 | 51.700 | 1,787 | 313 |
| Oct | 48.800 | -0.275 | 49.150 | 48.700 | 1,484 | 93 |
| Total | | | | | 31,231 | 6,902 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Feb | 58.200 | -1.725 | 58.450 | 58.150 | 5,107 | 1,587 |
| Mar | 58.850 | -1.550 | 58.950 | 58.775 | 1,864 | 307 |
| May | 57.925 | -1.625 | 60.100 | 57.900 | 1,996 | 157 |
| Jul | 58.500 | -1.700 | 60.400 | 58.400 | 1,727 | 83 |
| Aug | 56.550 | -0.850 | 57.850 | 56.450 | 269 | 31 |
| Total | | | | | 10,963 | 2,168 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Mar | Jun | Mar | Jun |
| 1100 | 75 | 99 | 12 | 20 |
| 1150 | 43 | 67 | 29 | 37 |
| 1200 | 27 | 53 | 60 | 97 |
| ■ COPPER (Grade A) LME | Mar | Jun | Mar | Jun |
| 1750 | 71 | 102 | 19 | 47 |
| 1800 | 46 | 75 | 36 | 69 |
| 1850 | 27 | 53 | 60 | 97 |
| ■ COFFEE LCE | Mar | May | Mar | May |
| 1150 | 66 | 96 | 21 | 48 |
| 1200 | 38 | 70 | 43 | 72 |
| 1250 | 20 | 50 | 75 | 102 |
| ■ COCOA LCE | Mar | May | Mar | May |
| 875 | 39 | 67 | 25 | 37 |
| 900 | 27 | 54 | 38 | 49 |
| 925 | 16 | 43 | 54 | 63 |
| ■ BRENT CRUDE IPE | Jan | Feb | Jan | Feb |
| 1400 | 2 | 1 | - | 15 |
| 1450 | 3 | 2 | - | |
| 1500 | - | - | - | |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

| | | +or- |
|---|---|---|
| Dubai | $12.81-2.86w | +0.205 |
| Brent Blend (dated) | $13.85-3.88 | +0.155 |
| Brent Blend (Feb) | $13.65-3.68 | -0.125 |
| W.T.I. (1pm est) | $14.49-4.51w | -0.30 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | +or- |
|---|---|---|
| Premium Gasoline | $144-146 | -2 |
| Gas Oil | $148-150 | |
| Heavy Fuel Oil | $57-59 | |
| Naphtha | $127-130 | -1 |
| Jet Fuel | $165-166 | -1 |

*Petroleum Argus Estimates*

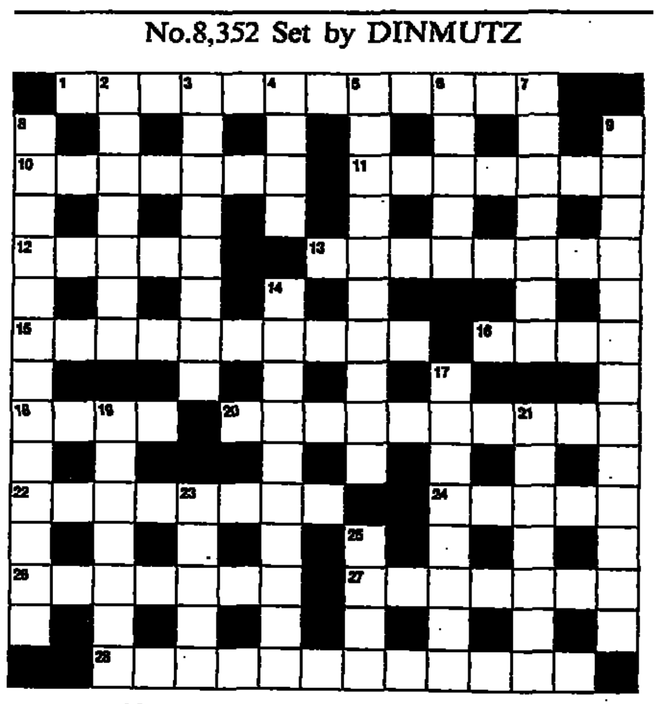
■ OTHER

| | | +or- |
|---|---|---|
| Gold (per troy oz)♣ | $386.20 | +0.95 |
| Silver (per troy oz)♣ | 509.5c | +3.0 |
| Platinum (per troy oz.) | $386.25 | +1.00 |
| Palladium (per troy oz.) | $123.75 | +0.50 |
| Copper (US prod.) | 85.0c | |
| Lead (US prod.) | 36.13 | |
| Tin (Kuala Lumpur) | 12.72r | +0.32 |
| Tin (New York) | 222.50 | -1.00 |
| Zinc (US Prime W.) | Unq. | |
| Cattle (live weight)† | 121.05p | +1.69* |
| Sheep (live weight)†♠ | 96.19p | +1.34* |
| Pigs (live weight) | 66.27p | +2.06* |
| Lon. day sugar (raw) | $259.8 | +4.0 |
| Lon. day sugar (wte) | $288.7 | +1.2 |
| Tate & Lyle export | £284.5 | +2.0 |
| Barley (Eng. feed) | £108.0 | +0.5 |
| Maize (US No3 Yellow) | £129.0z | |
| Wheat (US Dark North) | £175.0 | |
| Rubber (Feb)♥ | 60.50p | |
| Rubber (Mar)♥ | 60.75p | |
| Rubber(KL RSS No1 Feb) | 217.5m | +1.5 |
| Coconut Oil (Phil)§ | $552.5x | |
| Palm Oil (Malay.)§ | $377.5t | -20.0 |
| Copra (Phil)§ | $380.0 | -20.0 |
| Soyabeans (US) | £200.0 | |
| Cotton 'A' Index | 68.70c | +1.50 |
| Wooltops (64s Super) | 347p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan w Feb. z Jan/Mar. v Sep/Oct. t Apr/Jun. x Mar/Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

## CROSSWORD

No.8,352 Set by DINMUTZ



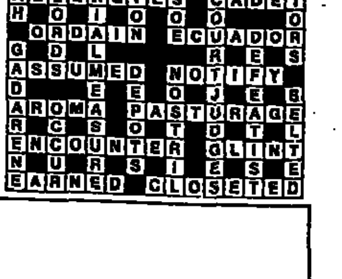
**ACROSS**

1 Does he draw his stock from a wide range? (6-6)
10 Elgin's alleys? (7)
11 Bare patch beneath the monkshood, say? (7)
12 Singer's theme? (5)
13 Score with toe, perhaps, in this sort of pitch (8)
15 Peacemakers' style extremely likely to be rude (10)
16 Land-mass of the Burma-Siam border (4)
18 Open page, possibly (4)
20 Put into orbit, they may reflect (10)
22 Air-operated organs (Ely's rang out) (8)
24 Superior kind of anti-depressant (5)
26 Blue loses head – is kicked out (7)
27 Composer's struggle with security-device? (7)
28 Did menu in his new style, but without reductions! (12)

**DOWN**

2 A chum must open in Rada, for example (7)
3 Ready-to-wear? (8)
4 Simple midshipman (4)
5 Spellbound by an arrangement of the ländler .... (10)
6 .... in slow time (or fast time with round) (5)
7 Turning sour about a university college grating? (7)
8 No bread is picked up in his rounds (7,6)
9 Everybody out in it, to see senior officer's tricycle? (7,6)
14 Popular vote could be free under Major, initially (10)
17 Receives bill with great quantities of paper (8)
19 Standard meeting-place, almost, for the arriviste (7)
21 Oneida issue, for example (7)
23 Scored and celebrated? (5)
25 Dromio, for example, to succeed without love (4)

**Solution 8,351**



**JOTTER PAD**

# LONDON STOCK EXCHANGE

MARKET REPORT

## Shares fall sharply following employment data

By Terry Byland, UK Stock Market Editor

The UK stock market fell heavily yesterday after news that domestic unemployment had fallen sharply last month, indicating that good economic news can be bad news for investors. The fall in unemployment, considerably greater than predicted, was seen as reducing the chances for an early cut in UK base rates, and thus weakened one of the props supporting the current level of share prices. Also disturbed by the overall weakness in continental European markets, the FT-SE 100 Index tumbled 41.8 to 3,372.

Although upset by yesterday's statistics on the UK economy, and by the consequent firmness in sterling which also reduced the chances of a base rate cut, UK market strategists appeared unwilling to change their views on market prospects. Most strategists have already put back expectations for the next base rate cut at least until the spring, when the government may feel that the changes in social security and mortgage taxes will take effect.

But the general conviction that there is another cut in base rates ahead remained unchanged. Some analysts, including the BZW team, held to the view that UK base rates could come down to 4¼ per cent this year.

There was good deal of selling yesterday from investors who had remained unconvinced by the pre-Christmas run-up in share prices. However, the FT-SE Mid 250 Index, down 24.6 at 3,864.6, continued to outperform the FT-SE 100 Share Index and non-Footsie business represented around 60 per cent of the day's Seaq volume of 807.6m shares. Tuesday's 882.8m shares through the Seaq electronic network was worth just over £2bn in retail business worth, confirming that genuine investment activity in UK equities remains very high.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Jan 4 | Jan 17 | Jan 31 |
| Option Declarations: | | |
| Jan 13 | Jan 27 | Feb 10 |
| Last Dealings: | | |
| Jan 14 | Jan 28 | Feb 11 |
| Account Day: | | |
| Jan 24 | Feb 7 | Feb 21 |

*New time dealings may take place from two business days earlier.

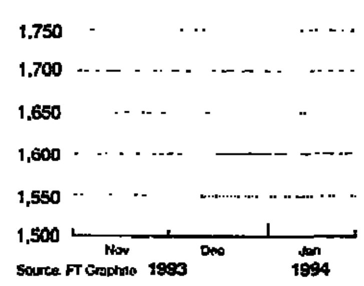
Share prices opened lower in London and were again influenced strongly by trends in stock index futures. The picture was much the same as at the beginning of the week. Bank shares continued to soften ahead of the sector trading statements, and there was little recovery in the store and retail stocks which are still seen as the key to a genuine recovery in both the UK economy and also in market sentiment.

International stocks were depressed by yesterday's firmness in sterling, which threatens their export prospects. Oil shares gave back some of their recent gains and the pharmaceuticals sector lacked supporters.

One factor undermining overall sentiment across the London markets as well as in the blue chip sector was the suggestion from several global market strategists that institutional cash flows could begin to move back towards Japan. Kleinwort Benson, the UK merchant banking and securities house, warned that this could mean significant withdrawal of global funds from other markets – with the UK high on the list of those markets threatened. London benefited last year from an inflow of international funds.

Weakness in the New York market, which fell 10 Dow points in UK hours, was a final blow to London, although UK traders saw this as no more than another temporary factor which did nothing to change investment sentiment. A technical setback on profit-taking has been widely predicted in the wake of the pre-Christmas advance in UK equities and few London specialists were prepared to change their minds on the basis of yesterday's fall in share prices.

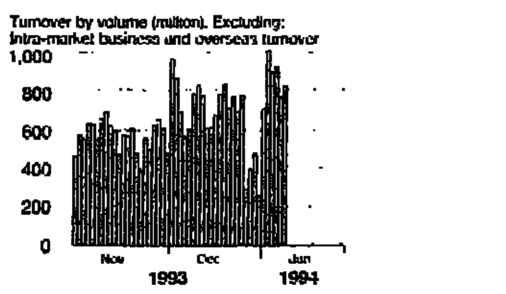
### FT-SE-A All-Share index




Source: FT Graphite

### Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover




### ■ Key Indicators

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT SE 100 | 3372.0 | -41.8 | FT Ordinary Index | 2574.2 | -30.6 |
| FT-SE Mid 250 | 3864.6 | -24.6 | FT-SE-A Non Fins p/e | 22.08 | (22.29) |
| FT-SE-A 350 | 1692.3 | -18.7 | FT-SE 100 Fut Mar | 3384.0 | -42.5 |
| FT-SE-A All-Share | 1675.86 | -17.53 | 10 yr Gilt yield | 6.25 | (6.27) |
| FT-SE-A All-Share yield | 3.38 | (3.34) | Long gilt/equity yld ratio: | 2.00 | (2.03) |

**Best performing sectors**

1 Printing, Paper & Pckg ........ +1.7
2 Retailer, Food ........ +1.1
3 Household Goods ........ +0.7
4 Textiles & Apparel ........ +0.1
5 FT-SE SmallCap Ex IT's ........ +0.0

**Worst performing sectors**

1 Extractive Inds. ........ -2.3
2 Pharmaceuticals ........ -2.2
3 Investment Trusts ........ -1.9
4 Chemicals ........ -1.8
5 Electronic & Elec ........ -1.5

## Chemical stocks unsettled

Leading chemical companies BOC and ICI were hit by changes of stance from securities houses which exacerbated the pressure of a sliding market.

Industrial gases group BOC dropped 22¼ to 638½p on turnover of 6.8m shares after Hoare Govett, a long-term bull, turned seller of the stock and lowered its current year profits forecast to £295m from £340m, well below the current range of analysts' estimates.

Hoare's Mr Martin Evans said: "The industrial gases side will be hit as low inflation inhibits price rises, and we expect a poor performance from the health care side."

However, Smith New Court's Mr Philip Morrish said yesterday's share price move was "unwarranted" and he reiterated his buy stance.

Meanwhile, Goldman Sachs advised clients to take profits on stock of ICI, arguing that the share price could comfortably decline to 700p, although the company's fundamentals were sound. ICI shares retreated 23 to 773p with 5.8m traded.

### Internationals hit

Internationally traded stocks suffered as a stronger pound against the US dollar affected the value of shares traded in New York.

Comments from a UK Treasury official, who sought to dampen further expectations of early UK interest rate cuts, helped sterling to rise more than a cent to breach $1.50 against the dollar. This left UK stocks traded as American Depositary Receipts looking expensive. One ADR trader cited Glaxo and suggested that at least half of the slide in the pharmaceutical company's shares, which fell 16 to 666p, was the result of sterling's strength.

Many international stocks also attracted fundamental sellers. Among them, Reuters Holdings fell 47 to 1825p as a lingering row with the Chicago Board of Trade over Reuters' Globex dealing system flared up again. Perennially bullish analyst Mr Brian Newman of Henderson Crosthwaite said the row was a "storm in a tea cup" and promptly wrote a buy recommendation.

Wellcome drew some attention after it was announced that full results from last year's big French study on the anti-Aids treatment AZT would be published shortly in the Lancet medical journal. The shares fell 22 to 674p.

### GUS overhang

A large stock overhang in Great Universal Stores saw the shares marked sharply down at the opening of business yesterday. But the shares later recovered as Smith New Court, the UK securities house , apparently cleared its position in the stock which had been taken aboard from a large institutional seller.

The drama started on Tuesday when Smith New Court took delivery of 13m GUS shares. Just under half were placed on Tuesday at 610p, then a mere 3 per cent discount to the market price. However, the remaining 8m or so shares remained unsold overnight, and rival market-makers were quick to mark the shares down as soon as London opened yesterday morning. In late trading it appeared that Smith finally got the majority of the stock away as a block of 6m was sold at 590p, a move which will have sharply reduced the broker's profits on the deal. The stock closed down 27½ at 592½p.

BP's move to close its Baglan Bay ethylene plant in South Wales and take a £200m exceptional charge in its fourth quarter results to encompass a Europe-wide restructuring came as no great surprise to the market. Nevertheless, the news helped the company's shares outperform most of the FT-SE 100 stocks and other big international oil stocks.

BP shares raced up 373p at the outset as a technical short position was hurriedly filled in. However, subsequent weakness across European equity markets and an early slide on Wall Street saw the appearance of profit-takers and BP eventually settled 3 off at 362½p.

A Europe-wide retreat by leading electronic stocks impacted heavily on GEC, the UK's flagship electronics group. The slide was prompted by a profits warning from Alcatel, of France.

The Alcatel revelations triggered a nine per cent fall in Alcatel shares in Paris and also affected Siemens, the German electricals/electronics giant, which fell about two per cent in Frankfurt. GEC shares dipped 6 to 328¼p after hectic trading which saw 9.1m dealt.

Optimism from David S. Smith, the paper manufacturer, lifted the sector. Although the group reported a 10 per cent slide in first-half profits to £13.7m, it said the UK economy was picking up while continental Europe's slide seemed to be over.

The results coincided with positive comments from Arjo Wiggins Appleton on European pricing. Arjo rose 7 to 463p, David S. Smith 18 to 456p and Bowater 13 to 477p.

The market became increasingly enthusiastic about the Securicor group of companies ahead of preliminary figures this morning. Securicor "A" jumped 9 to 910p and Security Services 13 to 780p.

Talk of a share placing at well below the market price hit Vodafone, which fell 20 to 591p.

Advertising group Gold Greenlees Trott jumped 14 to 244p on takeover speculation.

Food retailers were firm, with S.G. Warburg said to be positive on selected stocks. Tesco put on 6 at 235½p.

Results from First Leisure received a warm welcome from analysts, although a lack of buying saw the shares drift 4 lower at 291p. Smith New Court was considering moving its "hold" stance to buy, while NatWest Securities upgraded to "outperform".

More management changes at Ladbroke kept the positive news flow rolling and the shares added 3½ to 201½p.

Good results from Remy Cointreau helped Highland Distilleries, in which it has a cross-holding and marketing agreement, climb 14 to 373p.

TI Group, gave up 13 to 438p, after Credit Lyonnais turned sellers after being strong buyers recently.

Turnover in British Steel rose to 14.7m, making it the day's most actively traded stock. After a cautious press interview with the chairman, the shares shed 3 to 123p.

Shanks & McEwan fell 17 to 97p after the waste management group warned of lower profits and said its chief executive Mr Roger Hewitt was leaving over a policy row. Smith New Court cut its forecast for the year to March by £3.5m to £8m but strengthened its recommendation saying the management change was a step in the right direction.

**MARKET REPORTERS:**
**Christopher Price,**
**Joel Kibazo, Peter John,**
**Steve Thompson.**

■ Other statistics, Page 19

## NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (236).
BANKS (3) Anglo Irish, Espirito Santo, BREWERIES (2) Eldridge Pope A, BUILDING & CNSTRN (10) BLDG MATLS & MCHTS (12) CHEMICALS (2) Croda Intl., Perstorp B, DISTRIBUTORS (12) DIVERSIFIED INDLS (4) Adwest, BTR Nylex, Pacific Dunlop, Powell Duffryn, ELECTRNC & ELECT EQUP (8) Alba, Cray, Critchley, Druck, Eurotherm, Nokia Pf., Pifco, Do A, Vtech, ENGINEERING (18) ENG. VECHICLES (4) BBA 6¾pc Pf., GKN, Trinity, Volvo B. EXTRACTIVE INDS (14) FOOD MANUF (4) Acatos & Hutcheson, Avonmore A, Carr's Milling, Greencore, HEALTH CARE (2) Nestor –BNA, Takare, HOUSEHOLD GOODS (3) Airsprung, Victoria Carpet, Walker Greenbank, INSURANCE (4) Archer (A.J), FAI, Lowndes Lambert, Skandia, INVESTMENT TRUSTS (58) INVESTMENT COMPANIES (6) Brazilian Tst., Indonesia Equity Fd., Do Wrts., Mediterranean Fund, Sth America Fd., Do Wrts., LEISURE & HOTELS (8) LIFE ASSURANCE (1) Trans B 8pc Pf., MEDIA (8) MERCHANT BANKS (3) Close Bros., Schroders, Singer & Friedlander, OIL EXPLORATION & PROD (1) Command, OIL, INTEGRATED (1) Petrofina, OTHER FINANCIAL (12) OTHER SERVS & BUSNS (3) Anglo-East. Plants., Bailey (CH), General Mtrs. Uts., PRTNG, PAPER & PACKG (10) PROPERTY (14) RETAILERS, FOOD (2) M & W, Watson & Philip, RETAILERS, GENERAL (2) Body Shop, Vendome Luxury Uts, SPIRITS, WINES & CIDERS (1) Highland Distirs., SUPPORT SERVS (6) Hays, Hogg Robinson, Johnson Cleaners, Page (M), Reed Executive, Waterman Prtnr., TELECOMMUNICATIONS (4) GN Great Nordic Dkr, Securicor, Do N/V, Security Servs., TEXTILES & APPAREL (2) French (T), Rexmore, TRANSPORT (7) AMERICANS (5) Chrysler, Ford Mtr., Ingersoll–Rand, Lowe's, Varity Corp., CANADIANS (1) Brascan,
NEW LOWS (9).
GILTS (2) Treas. 12pc '95, Treas. 15 1/4pc '96, HEALTH CARE (2) Haemocell, Shield Diagnostics, OTHER FINANCIAL (1) Policy Portfolio, OTHER SERVS & BUSNS (1) Platignum, RETAILERS, FOOD (1) Geest, SUPPORT SERVS (1) SSM, TEXTILES & APPAREL (1) Campari,

## EQUITY FUTURES AND OPTIONS TRADING

Fading hopes of a reduction in British interest rates in the wake of better than expected UK employment statistics brought heavy selling pressure in the derivatives for a second session in a row, *writes Joel Kibazo*.

In futures, a brief attempt at an advance in the March contract on the FT-SE 100 Index as it opened at 3,422 petered out with the release of the jobless numbers, leaving the contract to drift lower.

US investment bank Goldman Sachs was said to have been the day's main player in the market and independent traders also joined the selling. March continued to slide, trading at a discount to fair value for most of the day.

However, there was little sign of nervous selling among the London traders and one futures broker simply said: "This is an inevitable correction that should lead us to 3,300, where we are likely to find good support."

The low of the day was reached at 3,379, but a bout of bear closing in the last few minutes of the session was expected to continue in after-hours' trading. March finished at 3,380, down 46 and at a 5-point discount to its fair value premium of around 13 points.

Business in the stock options boosted overall volume in the traded options, which saw a total of 48,957 lots dealt by the close.

Turnover in the FT-SE 100 option fell to 13,097 contracts and the Euro FT-SE option traded 5,223 lots.

British Steel was the busiest stock option with a total of 5,006 lots transacted, followed by Tesco at 4,245. Prudential, at 2,039, and Land Securities, at 1,898, were also heavily traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 3422.0 | 3384.0 | -42.5 | 3426.0 | 3379.0 | 20888 | 69248 |
| Jun | 3430.0 | 3397.0 | -42.5 | 3430.0 | 3397.0 | 305 | 4505 |
| Sep | | 3414.0 | -42.5 | | | 0 | 200 |

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3372) £10 per full index point

| | 3200 C | 3200 P | 3250 C | 3250 P | 3300 C | 3300 P | 3350 C | 3350 P | 3400 C | 3400 P | 3450 C | 3450 P | 3500 C | 3500 P | 3550 C | 3550 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | 175½ | 1½ | 127½ | 4 | 84 | 10 | 44½ | 21 | 18 | 47½ | 5½ | 86½ | 1½ | 134½ | ½ | 184½ |
| Feb | 195 | 13 | 152 | 20 | 13 | 31½ | 79½ | 48 | 52 | 71 | 31 | 101½ | 17½ | 140 | 9 | 185½ |
| Mar | 208½ | 26 | 169 | 38½ | 132 | 49 | 108½ | 67½ | 72 | 89½ | 59 | 118 | 33½ | 153 | 20½ | 192 |
| Apr | 221 | 38 | 183½ | 49½ | 147½ | 63½ | 117½ | 83 | 89½ | 105½ | 67½ | 134½ | 48½ | 168½ | 35 | 204 |
| Jun† | 249 | 57½ | | | 180½ | 87½ | | | 121½ | 129½ | | | 75 | 183½ | | |

Calls 6,085 Puts 6,808

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 3125 C | 3125 P | 3175 C | 3175 P | 3225 C | 3225 P | 3275 C | 3275 P | 3325 C | 3325 P | 3375 C | 3375 P | 3425 C | 3425 P | 3475 C | 3475 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | 245½ | 1½ | 195½ | 1½ | 147 | 2½ | 108½ | 6½ | 60½ | 12½ | 28½ | 31½ | 11½ | 65½ | 4 | 105½ |
| Feb | 283½ | 8½ | 217½ | 11 | 174 | 19½ | 133½ | 25½ | 87 | 39 | 66 | 57½ | 41½ | 82½ | 24 | 115 |
| Mar | 272½ | 16 | | | 188 | 30 | | | 115 | 56 | | | 80½ | 101 | | |
| Jun | 303½ | 37½ | | | 228½ | 60 | | | 163 | 92½ | | | 110½ | 137½ | | |
| Sept† | 336 | 57 | | | 264½ | 82 | | | 202 | 116 | | | 146½ | 158½ | | |

Calls 3,483 Puts 1,908 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

## FT - SE Actuaries Share Indices — The UK Series

| | Jan 12 | Day's chge% | Jan 11 | Jan 10 | Jan 7 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3372.0 | -1.2 | 3413.8 | 3440.6 | 3446.0 | 2745.3 | 3.49 | 5.17 | 24.04 | 0.71 | 1235.23 |
| FT-SE Mid 250 | 3864.6 | -0.6 | 3889.2 | 3901.4 | 3912.5 | 2876.3 | 3.16 | 4.92 | 25.09 | 4.04 | 1402.67 |
| FT-SE Mid 250 ex Inv Trusts | 3866.8 | -0.5 | 3885.5 | 3896.0 | 3906.8 | 2895.3 | 3.26 | 5.27 | 23.61 | 4.03 | 1398.92 |
| FT-SE-A 350 | 1692.3 | -1.1 | 1711.0 | 1722.6 | 1725.8 | 1350.7 | 3.41 | 5.11 | 24.27 | 0.68 | 1269.82 |
| FT-SE SmallCap | 1930.59 | -0.3 | 1935.61 | 1930.79 | 1916.89 | 1408.61 | 2.83 | 3.57 | 36.01 | 0.98 | 1464.57 |
| FT-SE SmallCap ex Inv Trusts | 1892.97 | ..... | 1892.25 | 1884.79 | 1870.42 | 1416.87 | 3.01 | 3.96 | 33.28 | 1.03 | 1458.51 |
| FT-SE-A ALL-SHARE | 1675.86 | -1.0 | 1693.39 | 1703.84 | 1705.99 | 1331.18 | 3.38 | 5.01 | 24.81 | 0.68 | 1279.78 |

■ FT-SE Actuaries All-Share

| | Jan 12 | Day's chge% | Jan 11 | Jan 10 | Jan 7 | Year ago | Div. yield% | Earn yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(18) | 2583.81 | -1.4 | 2619.70 | 2627.74 | 2645.76 | 1885.40 | 3.41 | 4.93 | 25.11 | 0.00 | 1007.89 |
| 12 Extractive Industries(4) | 3835.20 | -2.3 | 3926.01 | 3901.49 | 3884.86 | 3011.80 | 3.25 | 4.77 | 24.80 | 0.00 | 1032.08 |
| 15 Oil, Integrated(3) | 2517.27 | -1.2 | 2549.08 | 2560.04 | 2582.60 | 1763.70 | 3.48 | 5.07 | 24.57 | 0.00 | 1000.94 |
| 16 Oil Exploration & Prod(11) | 1804.81 | -0.3 | 1810.75 | 1834.56 | 1859.14 | 1698.10 | 3.17 | 3.81 | 33.72 | 0.00 | 1023.41 |
| 20 GEN MANUFACTURERS(263) | 2064.12 | -0.7 | 2078.00 | 2079.77 | 2079.71 | 1594.60 | 3.58 | 3.26 | 42.17 | 0.69 | 1021.46 |
| 21 Building & Construction(31) | 1349.50 | -0.3 | 1353.01 | 1359.80 | 1362.30 | 808.50 | 2.82 | 1.29 | 80.00† | 0.29 | 1032.28 |
| 22 Building Matls & Merchs(29) | 2250.12 | -0.1 | 2253.36 | 2258.15 | 2260.37 | 1373.60 | 3.13 | 2.51 | 52.75 | 1.14 | 1030.98 |
| 23 Chemicals(20) | 2336.61 | -1.8 | 2380.60 | 2383.78 | 2389.73 | 1999.20 | 3.95 | 0.38 | ‡ | 0.00 | 1003.77 |

## TRADING VOLUME

■ Major Stocks yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| ASDA Group† | 14,000 | 61¼ | +1¼ |
| Abbey National† | 1,500 | 496 | |
| Albert Fisher | 4,400 | 67 | +2 |
| Allied-Lyons† | 1,200 | 661 | -10 |
| Anglian Water† | 1,700 | 559 | +2 |
| Argos | 963 | 373 | -7 |
| Argyll Group† | 3,300 | 295 | +1 |
| Arjo Wiggins† | 2,300 | 263 | +7 |
| Assoc. Brit. Foods | 20 | 571 | -1 |
| Assoc. Brit. Ports† | 161 | 579 | -1 |
| BAA† | 498 | 1052 | -2 |
| BAT Inds.† | 3,100 | 526 | -12 |
| BET | 4,700 | 150½ | -1 |
| BICC | 1,300 | 432 | -15 |
| BOC† | 6,800 | 638½ | -21½ |
| BP† | 12,000 | 362½ | -3 |
| BPB Inds. | 2,200 | 335 | -6 |
| BT† | 8,700 | 461½ | -2½ |
| BT (P/Paid) | 7,800 | 206 | -1 |
| BTR† | 5,400 | 347½ | -5 |
| Bank of Scotland† | 811 | 218½ | -2 |
| Barclays† | 4,900 | 594½ | -2½ |
| Bass† | 3,400 | 555 | -7 |
| Blue Circle† | 3,100 | 351 | +6 |
| Booker | 762 | 457 | -3 |
| Boots† | 2,000 | 562 | -7 |
| Bowater† | 3,200 | 477 | +13 |
| Brit. Aerospace† | 2,700 | 439 | -7 |
| British Airways† | 4,400 | 479 | -2 |
| British Gas† | 7,100 | 342½ | -5 |
| British Land | 816 | 398 | -7 |

## LONDON EQUITIES

### LIFFE EQUITY OPTIONS

| Option | | Calls Jan | Calls Apr | Calls Jul | Puts Jan | Puts Apr | Puts Jul |
|---|---|---|---|---|---|---|---|
| Allied-Lyons | 650 | 19 | 42½ | 51 | 8½ | 24½ | 39 |
| (*660 ) | 700 | 2½ | 19½ | 28 | 44 | 53½ | 69 |
| Argyll | 280 | 19 | 30 | 36 | 3 | 11½ | 19 |
| (*294 ) | 300 | 6 | 19 | 25½ | 11 | 21 | 29½ |
| ASDA | 60 | 2½ | 6½ | 9 | 3 | 6 | 8 |
| (*61 ) | 70 | 1 | 3 | 5 | 11½ | 13 | 15 |
| Brit Airways | 460 | 24½ | 41½ | 52 | 4 | 16½ | 26½ |
| (*479 ) | 500 | 5 | 21½ | 32 | 25 | 36½ | 48 |

| Option | | Calls Feb | Calls May | Calls Aug | Puts Feb | Puts May | Puts Aug |
|---|---|---|---|---|---|---|---|
| Hanson | 260 | 17½ | 21 | 24 | 3 | 7½ | 11½ |
| (*272 ) | 280 | 5½ | 10½ | 14 | 12 | 17½ | 21½ |
| Lasmo | 120 | 10½ | 18 | 23½ | 9¾ | 15 | 18½ |
| (*121 ) | 130 | 7 | 13½ | 18½ | 16¼ | 20½ | 24½ |
| Lucas Inds | 200 | 12 | 17½ | 23½ | 8 | 14½ | 18 |
| (*202 ) | 220 | 4 | 9 | 15 | 22 | 27 | 30 |
| P & O | 600 | 35½ | 47½ | 61 | 14 | 27 | 33½ |
| (*618 ) | 650 | 11½ | 23½ | 36½ | 41 | 55 | 61 |
| Pilkington | 180 | 13 | 19 | 24 | 5½ | 11 | 14½ |

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 26 | 35 | 17 |
| Other Fixed Interest | 5 | 1 | 9 |
| Mineral Extraction | 56 | 68 | 84 |
| General Manufactures | 152 | 187 | 344 |
| Consumer Goods | 40 | 68 | 66 |
| Services | 107 | 138 | 282 |
| Utilities | 9 | 28 | 9 |
| Financials | 80 | 107 | 207 |
| Investment Trusts | 30 | 263 | 173 |
| Others | 31 | 54 | 45 |
| Totals | 536 | 949 | 1256 |

Data based on those companies listed on the London Share Service.

# LONDON SHARE SERVICE

## BANKS

| | Notes | Price | + or – | 1993/94 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | | £24⅛ | ..... | £25¼ | £18¼ | 6,722 | 4.3 | 12.8 |
| ANZ A$ | | 222 | ..... | 226½ | 130 | 2,904 | 4.1 | ϕ |
| Abbey National | †□ | 486 | ..... | 524 | 345 | 6,371 | 3.0 | 18.7 |
| Allied Irish I£ | ‡♦□ | 308 | +3 | 314 | 179 | 2,027 | 3.4 | 15.7 |
| Anglo Irish I£ | M□ | 68xr | +3 | *68 | 28 | 165.5 | 6.2 | ϕ |
| Asahi Y | | 649 | +2 | 844 | 415 | 15,058 | 0.7 | – |
| Banco Bil Viz Pta | | £14¼ | ..... | £17⅞ | £13⅛ | 3,291 | 5.8 | 6.4 |
| Banco Sant Pta | | £28½ | –¼ | £38 | £24⅞ | 3,338 | 4.4 | 11.3 |
| Bank Leumi (UK) | | 375 | ..... | 375 | 325 | 29.6 | 5.7 | – |
| Bk Ireland I£ | ‡□ | 318 | +8 | *318 | 177 | 1,498 | 3.9 | 23.5 |
| Bank Scotland | ‡†□ | 218½ | –2 | 240½ | 118½ | 2,538 | 2.7 | 29.7 |
| 9¼pc Pf | | 138¼ | ..... | 140¼ | 117¾ | 138.3 | 8.4 | – |
| 9¾pc Pf | | 145¼ | ..... | 147¼ | 123½ | 145.3 | 8.4 | – |
| Barclays | ‡N□ | 594½ | –2½ | 652 | 362 | 9,642 | 2.6 | – |
| Dai Ichi Kan Y | | 1073 | –3 | 1586 | 857 | 33,481 | 0.5 | 58.3 |
| Deutsche DM | | £327⅞ | –5⅞ | £348⅞ | £250½ | 15,603 | 1.9 | – |
| Espirito Santo | | £24½ | +¼ | £24½ | £16½ | 262.0 | 3.3 | 5.8 |
| First Nat Fin | □ | 71 | +1 | *95 | 45 | 118.1 | 2.7 | ϕ |
| 6.3pc Cv Pf | | 87xd | +1 | *91 | 55 | 5.85 | 9.1 | – |
| 7pc Cv Pf | | 135½xd | +4 | 167½ | 106 | 64.3 | 6.5 | – |
| Fuji Bank Y | | 1401 | ..... | 1651 | 876 | 40,565 | 0.4 | – |
| HSBC HK | †□ | 904 | –27 | 1007 | 474 | 15,431 | 2.8 | 21.6 |
| HSBC (75p Shs) | †□ | 891 | –25 | 987 | 490 | 7,315 | 2.8 | 21.3 |
| Lloyds | †□ | 624 | +4 | 690 | 492 | 8,012 | 3.8 | 17.8 |
| Mitsubishi Y | | £18⅛ | –⅛ | £19¾ | £11⅜ | 48,436 | 0.3 | – |
| Mits Tst & Bk Y | | £7¼ | ..... | £10⅛ | £4⅝ | 9,441 | 0.7 | 11.6 |
| Mitsui Tst & Bk Y | | 567 | +5 | 882 | 374 | 6,793 | 0.9 | 19.3 |
| Nat Aust A$ | | 558 | –10 | 575 | 322 | 7,333 | 4.1 | ϕ |
| NatWest | †□ | 585 | –12 | 634 | 388 | 9,722 | 3.8 | 39.9 |
| Ottomane FFr | | £32½ | +3 | £32½ | £23¼ | 162.5 | 4.8 | 9.5 |
| Ryl Bk Scotland | ‡N□ | 462 | –9 | 470 | 207 | 3,598 | 3.0 | 20.4 |
| Sakura Y | | £8¼ | –⅛ | £11 | £5¾ | 28,865 | 0.6 | 54.6 |
| Sanwa Y | | £12¼ | –⅛ | £16 | £7¼ | 35,532 | 0.4 | – |
| Standard Chartd | †□ | 1161 | –18 | 1263 | 576 | 2,784 | 2.2 | – |
| Sumitomo Y | | £11⅛ | –⅛ | £16¼ | £8⅞ | 38,904 | 0.5 | 25.3 |
| Sumitomo Tst Y | | £7 | ..... | £9⅞ | £4⅛ | 8,706 | 0.8 | 54.9 |
| TSB | □ | 262 | +2 | 282 | 145½ | 3,826 | 3.2 | – |
| Tokai Y | | £8⅞ | –⅛ | £9⅞ | £4⅞ | 13,863 | 0.8 | 45.9 |
| Toyo Tst & Bk Y | | 645 | +27 | 840 | 411 | 5,069 | 0.8 | 57.5 |
| Westpac A$ | | 213 | –1 | 214 | 121 | 3,734 | 2.6 | ϕ |
| Yasuda Tst Bk Y | ‡ | 463 | +1 | 690 | 343 | 5,107 | 1.1 | 41.2 |

## BREWERIES

| | Notes | Price | + or – | 1993/94 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Ascot Hldgs | □ | 7½ | +¼ | 16½ | 4½ | 28.5 | – | – |
| Bass | ♦N□ | 565 | –7 | 647 | 441 | 4,817 | 4.5 | 15.0 |
| Boddington | †□ | 277 | –2 | 299 | 189 | 334.1 | 3.4 | 16.1 |
| Burtonwood | | 181 | –2 | 184 | 129 | 37.8 | 3.3 | 15.1 |
| Eldridge Pope A | | 160xd | +4 | 160 | 75 | 31.1 | 2.8 | ϕ |
| Fosters A$ | | 63 | ..... | 70½ | 50 | 2,027 | 4.3 | ϕ |
| Fuller STA | † | 441xd | +3 | 441 | 338 | 89.5 | 2.1 | 18.9 |
| Gibbs Mew | † | 401 | –2 | 403 | 148 | 29.8 | 2.6 | 19.7 |
| Greenalls | □ | 459xd | ..... | 475 | 347 | 957.9 | 3.4 | 15.8 |
| Greene King | †N□ | 545xd | –6 | 575 | 505 | 230.5 | 2.9 | 15.3 |
| Grosvenor Inns | | 143 | ..... | 148 | 78 | 11.8 | 3.7 | 19.2 |
| Holt (J) | † | 3150 | ..... | 3150 | 2538 | 94.5 | 1.7 | 20.5 |
| Hoskins | | 78# | ..... | 80 | 33 | 4.56 | – | 56.2 |
| Kirin Y | | 735 | +4 | 858½ | 590 | 7,735 | 0.9 | 27.8 |
| Mansfield | †N | 238 | –1 | 248 | 164 | 151.0 | 2.1 | 16.8 |
| Marston Thomp | †N□ | 272 | ..... | 288 | 231 | 248.4 | 2.8 | 18.2 |
| Morland | N | 525 | +5 | 580 | 455 | 112.9 | 2.3 | 18.0 |
| Paramount | □ | 10¼ | ..... | 12 | 6¼ | 5.15 | 1.8 | ϕ |
| Regent Inns | N | 226 | –2 | 227 | 145 | 33.0 | 2.5 | 22.9 |
| Scott & New | †N□ | 544xd | +1 | *554 | 393 | 2,883 | 3.9 | 16.7 |
| United Breweries | □ | 8½ | ..... | 12 | 7 | 12.8 | – | – |
| Vaux | □ | 273xd | +5 | 283 | 213 | 379.2 | 4.3 | ϕ |
| Wetherspoon (J D) | N□ | 377 | –4 | 381 | 225 | 118.1 | 1.8 | 28.3 |
| Whitbread | †N□ | 565 | –7½ | 592 | 435 | 2,988 | 4.0 | 13.6 |
| Wolv & Dudley | □ | 525 | ..... | 613 | 463 | 347.5 | 3.0 | ϕ |
| Young A | † | 515 | ..... | 515 | 475 | 15.8 | 3.6 | 21.3 |
| N/V | † | 450 | ..... | 460 | 415 | 25.6 | 4.1 | 18.6 |

## BUILDING & CONSTRUCTION

| | Notes | Price | + or – | 1993/94 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Abbey I£ | | 183 | ..... | 183 | 73 | 70.9 | 1.4 | 29.7 |
| Allen | M | 150 | ..... | 160 | 87 | 40.0 | 4.2 | 34.0 |
| AMEC | □ | 120 | –2 | 132 | 65 | 242.6 | 3.1 | 22.2 |
| 6½p Cv Pf | | 106½ | ..... | 108 | 70 | 216.6 | 7.8 | – |
| Amco Corp | | 51 | ..... | 76 | 36½ | 5.50 | – | – |
| Andrews Sykes | N□ | 83 | +8 | 145 | 65 | 11.8 | 4.5 | – |
| Anglia Sec | □ | 9½ | ..... | 12 | 4 | 3.14 | – | – |
| Arcadian Intl | | 40 | ..... | 47 | 35 | 27.9 | – | – |
| Ashtead | □ | 353 | +2 | *353 | 150 | 105.9 | 1.6 | 37.3 |
| [illegible] | | | | | | | | |

## BUILDING MATS. & MERCHANTS

[illegible]

## BUILDING MATS. & MERCHANTS - Cont.

[illegible]

## CHEMICALS

[illegible]

## DISTRIBUTORS

[illegible]

## DIVERSIFIED INDUSTRIALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONIC & ELECTRICAL EQPT

[illegible]

## ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING VEHICLES

[illegible]

## EXTRACTIVE INDUSTRIES

[illegible]

## FOOD MANUFACTURERS

[illegible]

## GAS DISTRIBUTION

[illegible]

## HEALTH CARE

[illegible]

## HOUSEHOLD GOODS

[illegible]

## INSURANCE

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

## LONDON SHARE SERVICE

### INVESTMENT TRUSTS - Cont.

| | Notes | Price | + or - | 1993/94 high | low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| RIT Capital | □ | 182 | -3 | 189 | 100 | 0.8 | 213.2 | 14.9 |
| 2¾pc Cv Ln 2000 | | £181½ | -3 | £185½ | £100½ | 1.4 | - | - |
| Radiotrust | □ | 78 | — | 78 | 47 | - | 58.3 | -30.8 |
| Rights & Iss Inc | † | 159 | — | 154 | 114 | 6.9 | - | - |
| Cap | | 475 | — | 475 | 303 | 2.2 | 531.2 | 10.6 |
| Riv & Merc Am Inc | | 116 | — | 118 | 108 | 8.5 | - | - |
| Cap | □ | 33 | -1 | 36 | 27 | - | 47.6 | 29.8 |
| Warrants | | 14 | — | 14 | 11 | - | - | - |
| Riv & Mer Ext | N□ | 134 | -1 | 135 | 87 | 7.3 | 133.4 | 0.6 |
| Warrants | | 23 | — | 24 | 13 | - | - | - |
| Zero Div Pf | | 117½ | — | 117½ | 103 | - | - | - |
| Riv & Mer Geared | | 115 | -1 | 116 | 61 | 8.2 | - | - |
| Prfd Cap 1999 | | 34 | -½ | 34½ | 18 | - | 39.3 | 13.4 |
| Riv & Merc Smllr | N□ | 146 | — | 148 | 95 | 3.4 | 142.4 | -3.6 |
| Warrants | | 50 | -1 | 53 | 22 | - | - | - |
| Riv & Merc Tst Inc | □ | 126 | -½ | 127 | 108 | 9.2 | - | - |
| Cap | □ | 138 | -1 | 140 | 55 | - | 248.8 | 43.7 |
| Warrants | | 33 | — | 33 | 8 | - | - | - |
| Do. Stepd Pf | N | 162 | +½ | 162 | 147 | 4.3 | - | - |
| River Plate Inc | N□ | 111 | -1 | 119 | 98 | 10.0 | - | - |
| Cap | | 102 | -2 | 105 | 26 | - | 184.2 | 46.4 |
| Warrants | | 10½ | +½ | 10½ | 1 | - | - | - |
| Zero Div Pf | | 84 | — | 84 | 77¼ | - | - | - |
| St Andrew | | 295 | — | 295 | 214 | 3.2 | 322.6 | 8.6 |
| St David's Inc | M | 141 | -1 | 158 | 123 | 12.9 | - | - |
| Cap | | 208 | — | 308 | 76 | - | 348.5 | 40.4 |
| Zero Prf | | 150½ | +½ | 150½ | 131 | - | - | - |
| SPLIT Inc | | 198 | — | 270 | 175 | 21.1 | - | - |
| Cap | | 1225 | -5 | 1235 | 820 | - | 1443.1 | 14.8 |
| Schroder Korea Fund | | 980 | -4 | 969 | 461 | 0.1 | - | - |

### INVESTMENT COMPANIES

### LEISURE & HOTELS

### LEISURE & HOTELS - Cont.

### LIFE ASSURANCE

### MEDIA

### MERCHANT BANKS

### OIL EXPLORATION & PRODUCTION

### OIL, INTEGRATED

### OTHER FINANCIAL

### OTHER SERVICES & BUSINESSES

### PHARMACEUTICALS

### PRINTING, PAPER & PACKAGING

### PROPERTY

### PROPERTY - Cont.

### RETAILERS, FOOD

### RETAILERS, GENERAL

### SPIRITS, WINES & CIDERS

### SPIRITS, WINES & CIDERS - Cont.

### SUPPORT SERVICES

### TELECOMMUNICATIONS

### TEXTILES & APPAREL

### TOBACCO

### TRANSPORT

### TRANSPORT - Cont.

### WATER

### AMERICANS

### CANADIANS

### SOUTH AFRICANS

| | Notes | Price | + or - | 1993/94 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £13½ | — | £13½ | £7½ | 805.4 | 5.2 | 11.2 |
| Barlow Rand | | £4¼xc | — | £10⅝ | £4 | 810.0 | 6.4 | Φ |
| Gold Fields SA R | | 1760 | +6 | 1800 | 725 | 1,888 | 2.3 | 29.0 |
| MK Props | sa | 80 | — | 87 | 68 | 3.62 | 15.1 | Φ |
| SASOL | ♥ | 291 | -2 | 308 | 215 | 1,848 | 5.3 | - |
| SA Brews | | 1451 | -26 | 1521 | 753 | 7,849 | 1.9 | 24.0 |
| Tiger Oats | | 838 | — | 838 | 513 | 1,258 | 1.9 | 17.7 |
| Tongaat-Hulett | † | 460xd | -3 | 472 | 212 | 344.3 | 3.2 | 12.8 |

### GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ⁂ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on BMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

**Abbreviations:** xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xll ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

### FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT5041. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

### FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

# AUTHORISED UNIT TRUSTS

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **AIB Unit Trust Managers Limited (1000)F** | | | | | | |
| 51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783 | | | | | | |
| AIB Grofund American | 5 | 167.7 | 169.4 | 172.3 | -0.80 | 0.00 |
| AIB Grofund Equity | 5 | 248.3 | 251.0 | 265.6 | -3.00 | 1.44 |
| AIB Grofund Euro | 6 | 200.5 | 201.8 | 212.4 | -1.10 | 0.00 |
| AIB Grofund Fixed Interest | 3 | 122.4 | 123.6 | 128.1 | +0.80 | 1.22 |
| AIB Grofund Gilt | 3 | 82.47 | 82.49 | 85.04 | +0.10 | 4.37 |
| AIB Grofund Japan | 5 | 161.3 | 162.8 | 171.3 | +0.40 | 0.00 |
| **AXA Equity & Law Unit Tst Mngrs (1200)H** | | | | | | |
| Equity & Law Hse, Corpn St, Coventry 0203 553231 | | | | | | |
| General Inc | 5 | 491.3 | 492.2 | 523.7 | -2.4 | 2.10 |
| General Acc | 5 | 546.1 | 548.4 | 581.3 | -3.8 | 2.10 |
| UK Growth Acc | 6 | 363.9 | 373.3 | 397.2 | -2.8 | 2.24 |
| UK Growth Inc | 6 | 258.3 | 261.5 | 278.2 | -2.0 | 2.24 |

**Capel-Cure Myers UT Mngt Ltd - Contd.**

**Capital House Unit Tst Mgrs (1200)F**

Capital House, Festival Square, Edinburgh.

**Fidelity Investment Servs Ltd - Contd.**

**Granville Unit Tst Mngmt Ltd**

**Guardian Royal Ex Unit Mgrs**

**Guinness Flight Unit Tst Mgrs**

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

هكذا من الأصل

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

## TSB Unit Trusts (1200)F

## Thornton Unit Managers Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Exempt Dec 31 | 141.74 | 147.79 | -- | 2.47 |
| (Accum Units) | 159.95 | 166.11 | -- | 2.47 |

# INSURANCES

## AXA Equity & Law Life Assce

## Black Horse Life Assurance - Contd.

## Britannia Life Assurance

## Crown Financial Management Ltd

## Guardian Royal Exchange - Contd.

## Hearts of Oak Insurance Group

## Life Association of Scotland - Contd.

## Mercury Life Assurance Co Ltd - Contd.

## Professional Life Assurance Co Ltd - Contd.

For Prolific Life & Pens see Scottish Provident

# OTHER UK UNIT TRUSTS

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## Royal Heritage Life Assurance Ltd - Contd.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Gartmore Funds** | | | | |
| British | 399.0 | 420.0 | -5.4 | - |
| European | 249.8 | 263.0 | -3.1 | - |
| Frontier Markets | 234.8 | 247.0 | -3.4 | - |
| Global Bond | 120.4 | 126.8 | — | - |
| Gold Intl Resources | 99.0 | 104.3 | -0.4 | - |
| High Inc | 321.7 | 338.7 | -1.6 | - |
| Hong Kong | 498.0 | 524.4 | -26.5 | - |
| Income | 480.1 | 494.4 | -3.0 | - |
| Japan | 406.2 | 427.6 | +1.2 | - |
| UK Smr Cos | 340.4 | 358.4 | +0.2 | - |
| Man Gth | 490.6 | 516.5 | -5.5 | - |
| Global Inc & Gwth | 174.8 | 184.0 | -1.2 | - |
| Pacific Growth | 360.3 | 379.3 | -19.0 | - |
| **INVESCO MIM** | | | | |
| European Smaller | 187.7 | 197.6 | -0.7 | - |
| Sth & East Asia Gwth | 372.1 | 391.7 | -15.3 | - |
| Inc Growth | 331.9 | 349.4 | -1.9 | - |
| Japan Smlr Cos | 242.7 | 255.5 | — | - |
| Man Growth | 263.7 | 277.6 | -2.0 | - |
| Gilt | 89.1 | 93.8 | +0.3 | - |
| **Perpetual Funds** | | | | |
| International Growth | 175.8 | 185.1 | -2.5 | - |
| American Growth | 224.6 | 236.5 | -1.0 | - |
| Intl Emerging Cos | 266.5 | 280.6 | -3.8 | - |
| European | 202.8 | 213.5 | -1.2 | - |
| Managed | 204.0 | 214.8 | -2.6 | - |

## Royal Life Insurance Ltd
New Hall Place, Liverpool L69 3HS 051-239 3000

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Royal Shield Fd. | 977.2 | 1034.0 | — | - |
| **Royal Life (Unit Linked Assurances) Ltd** | | | | |
| Managed Fund | 390.0 | 410.5 | -2.5 | - |
| Equity Fund | 562.4 | 592.0 | -2.9 | - |
| Property Fund | 306.5 | 322.4 | — | - |
| International Fund | 480.2 | 505.4 | -5.4 | - |
| Gilt Fund | 382.6 | 402.7 | +0.5 | - |
| Money Fund | 216.6 | 227.9 | — | - |
| United States Fund | 255.3 | 268.7 | -1.4 | - |
| Pacific Basin | 298.1 | 313.7 | -4.4 | - |
| **Royal Life (Unit Linkd. Pension Fds) Ltd** | | | | |
| Exempt Man Fd Acc | 479.7 | 504.9 | -4.3 | - |
| Exempt Equity Fd Acc | 838.9 | 884.1 | -11.0 | - |
| Exempt Prop Fd Acc | 315.3 | 331.8 | +0.1 | - |

## Scottish Provident Group - Contd.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Other Funds** | | | | |
| BSB Select Managed | 126.9 | 133.6 | 0.0 | - |
| SVM Superior Growth | 230.7 | 242.9 | +0.1 | - |
| SVM Superior Distribution | 119.2 | 126.5 | -0.5 | - |
| K&J Havers Managed Pens | 137.4 | 144.7 | -0.2 | - |
| Capital Income & Growth | 161.1 | 169.1 | -0.4 | - |
| Cap Retirement P'folio | 210.3 | 221.4 | -0.9 | - |
| JMJ Managed Pens | 187.8 | 197.7 | +0.3 | - |
| Touchstone Retirement P'folio | 143.9 | 151.5 | -0.3 | - |
| Invest Bureau Inc & Gwth | 119.3 | 125.8 | -0.6 | - |

## Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Inv Pol 1 Jan 7 | 933.0 | 983.0 | — | - |
| Inv Pol 2 Jan 7 | 904.4 | 952.1 | — | - |
| Inv Pol 3 Jan 7 | 868.2 | 914.0 | — | - |
| Inv Pol Cash Ser 2 Jan 7 | 304.7 | 320.9 | — | - |
| Inv Pol Cash Ser 3 Jan 7 | 300.9 | 316.8 | — | - |
| Mixed Fund | 465.2 | 489.8 | -4.9 | - |
| Equity Fund | 551.8 | 581.0 | -5.6 | - |
| Property Fund | 224.4 | 236.3 | — | - |
| International Fund | 495.4 | 521.5 | -7.9 | - |
| Fixed Int. Fund | 401.6 | 422.8 | — | - |
| Index Stk. Fd. | 211.0 | 222.2 | +0.2 | - |
| Cash Fd | 221.7 | 233.5 | — | - |
| Pens. Mixed Fd. Ord. | 624.0 | 656.9 | -6.1 | - |
| Pens. Equity Fd. Ord. | 744.1 | 783.4 | -7.0 | - |
| Pens. Prop. Fd. Ord. | 304.3 | 320.4 | — | - |
| Pens. Int. Fd. Ord. | 643.6 | 677.5 | -11.5 | - |
| Pens.Fxd.Int.Fd Ord. | 601.2 | 633.0 | — | - |
| Pens.Ind.Stk.Fd.Ord. | 248.7 | 261.9 | +0.4 | - |
| Pen. Cash Fd. Ord. | 339.6 | 356.6 | — | - |
| Building Society | 97.4 | 102.7 | — | - |
| PM Man | 3084.9 | 3084.9 | +36.4 | - |
| PM St Ex | 3274.0 | 3274.0 | +29.2 | - |
| PM St Ex Eq | 140.3 | 140.3 | +1.3 | - |
| PM St Ex Fi | 152.5 | 152.5 | +0.9 | - |
| PM Property | 279.7 | 279.7 | +0.1 | - |
| PM Pens Protection | 214.1 | 214.1 | +0.1 | - |
| PM IL Protection | 132.3 | 132.3 | +0.2 | - |
| PM Cash | 386.1 | 386.1 | +0.1 | - |

## Skandia Life Assurance Co Ltd (z)
Skandia Hse, Portland Terr, Southampton 0703 334411

## TSB Life Ltd

## Target Life Assurance Co Ltd

## Eurolife Assurance Group

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)(**)

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

هكذا منه الأصل

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES AND MONEY

## MARKETS REPORT

# Sterling soars

Sterling yesterday remained the focus of market attention after stronger-than-expected UK employment data and growing scepticism about the likelihood of an early British rate cut, pushed the British currency sharply higher against the D-Mark and dollar, *writes Gillian Tett.*

After breaching the DM2.60 level early in the day it moved by over 1½ pfennigs over the course of the day to reach its highest level since the ERM crisis in September 1992. It also moved over a cent against the dollar, which was little changed by the US producer prices index released yesterday.

● The UK unemployment data, which showed that unemployment fell a provisional, seasonally adjusted 46,800 in December to 2.77m, down to 9.8 per cent from 10 per cent in November, took the market by surprise. Market forecasts had been around 20,000.

The data triggered a rapid rally in the British currency. After closing at DM2.5944 in London on Tuesday, it pushed through the DM2.60 barrier early in the morning and then briefly hovered near DM2.6130 before finally closing at DM2.6072.

Sterling also rose against the dollar yesterday, although dealers said its movements were primarily a by-product of trading between sterling and the D-Mark. It briefly touched $1.505, before slipping back to $1.5013, up from the previous day's close of $1.4913.

Sterling's initial rise was dogged by some controversy, after it staged a small rally against the D-Mark about 10 minutes ahead of the release of the employment data.

But though this sparked rumours that figures might have been leaked, traders pointed out that the move might simply have been the result of one particular bank taking a view.

With the unemployment data now reinforcing the market's confidence in the UK economic recovery, sterling is expected to rise further against a weak D-Mark.

"There is a good chance of seeing it at the DM2.65 levels soon," said Mr Jeremy Hawkins, senior economic adviser at the Bank of America, who predicts it could reach DM2.63 levels soon.

The only factor that could undermine sterling now, he says, would be a serious UK political upheaval. But since the UK is one of the few European countries not to have an election planned this year, he thinks this poses less of a threat than elsewhere in Europe.

Sterling's trade weighted index closed at 82.9 per cent of its 1985 value, its highest level since September 1992. Some dealers believe that the UK government might intervene if sterling rises much higher than DM2.65 to protect exporters.

But after Mr Anthony Nelson, economic secretary to the Treasury, yesterday said that the government was comfortable with existing monetary policy and "unlikely" to cut rates, expectations of an early rate cut receded.

"Many people didn't believe the upside was very large, but now there is some revision going on about how high sterling can go," said Mr Mark Austin, treasury strategist at Midland Global Markets.

Interest rate scepticism was reflected in sterling futures where the March contract fell to 94.63, its lowest level this year, compared to 94.81 on New Year's Eve.

"The market now thinks we are at the bottom of the interest rate cycle. We have been in a negative yield curve (in the UK money market) for a long time, but the signs are we could be moving into a positive one," commented one money market dealer.

● Anticipation of today's US consumer price index ensured that the dollar continued to attract attention. Yesterday's PPI figures, which showed that the PPI fell 0.1 per cent in December were broadly in line with the market forecast.

As a result the dollar remained fairly steady against the D-Mark and yen, closing at Y112.4 from a previous day's close of Y112.5, and DM1.7366 from a previous day's close of DM1.7398.

Dealers said that the dollar was likely to remain bound in a narrow range against the D-Mark unless the Bundesbank signalled that it would cut interest rates or today's US CPI figure was significantly different from market forecasts.

However the release of revised figures showing that average West German inflation grew by 4.2 per cent in 1993, up from a 4 per cent yesterday, again underlined the inflationary factors that are underpinning the Bundesbank's cautious monetary stance.

● The Bundesbank yesterday allocated DM75.5bn of securities repurchase funds at this week's tender at a fixed rate of six per cent.

Today's repo is the first of two set at a fixed rate of six per cent at the Bundesbank council meeting last week.

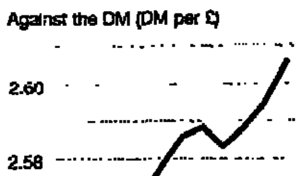
German call money rates yesterday remained steady, with call money traded within a range of 6.05 to 6.15 per cent.

● Conditions on the UK money markets eased yesterday after the Bank of England removed £1.413bn of the £1.6bn forecast shortage. Overnight money rates fell to 5¼ per cent.

● The Italian lira remained in the spotlight as markets awaited the outcome of the no confidence debate in the Italian parliament. In spite of concerns that fresh political scandal could undermine the lira, it marginally strengthened to L974.7 against the D-Mark, from a previous day's close of L978.4.

**Sterling**

Against the DM (DM per £)




Source: FT Graphite

### ■ Pound in New York

| Jan 12 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5030 | 1.4900 |
| 1 mth | 1.4999 | 1.4868 |
| 3 mth | 1.4947 | 1.4818 |
| 1 yr | 1.4791 | 1.4674 |

## POUND SPOT FORWARD AGAINST THE POUND

| Jan 12 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 18.3114 | +0.0771 | 039 - 188 | 18.3716 | 18.2329 | 18.3152 | -0.2 | 18.3246 | -0.3 | - | - | 113.5 |
| Belgium | (BFr) | 54.3711 | +0.2931 | 182 - 240 | 54.4916 | 53.9924 | 54.4611 | -2.0 | 54.5811 | -1.5 | 54.8361 | -0.9 | 112.8 |
| Denmark | (DKr) | 10.1102 | +0.0401 | 025 - 178 | 10.1320 | 10.0877 | 10.1212 | -1.3 | 10.1352 | -1.0 | 10.1562 | -0.5 | 115.5 |
| Finland | (FM) | 8.5875 | +0.0064 | 782 - 967 | 8.6062 | 8.5511 | - | - | - | - | - | - | 80.2 |
| France | (FFr) | 8.8648 | +0.0431 | 612 - 684 | 8.8825 | 8.8175 | 8.8726 | -1.1 | 8.8842 | -0.9 | 8.8888 | -0.3 | 108.0 |
| Germany | (DM) | 2.6072 | +0.0128 | 062 - 031 | 2.6152 | 2.5930 | 2.6087 | -0.7 | 2.6102 | -0.5 | 2.6096 | -0.1 | 122.5 |
| Greece | (Dr) | 375.100 | +2.063 | 800 - 400 | 375.923 | 373.076 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0429 | +0.0011 | 422 - 436 | 1.0458 | 1.0397 | 1.0436 | -0.8 | 1.0443 | -0.6 | 1.0453 | -0.2 | 104.4 |
| Italy | (L) | 2541.10 | +3.48 | 959 - 221 | 2550.77 | 2532.80 | 2547.65 | -3.1 | 2559.35 | -2.9 | 2603.65 | -2.5 | 76.4 |
| Luxembourg | (LFr) | 54.3711 | +0.2931 | 182 - 240 | 54.4916 | 53.9924 | 54.4611 | -2.0 | 54.5811 | -1.5 | 54.8361 | -0.9 | 112.8 |
| Netherlands | (Fl) | 2.9189 | +0.015 | 170 - 208 | 2.9270 | 2.9038 | 2.9192 | -0.1 | 2.9176 | 0.2 | 2.9067 | 0.4 | 116.2 |
| Norway | (NKr) | 11.2500 | +0.0432 | 455 - 545 | 11.2857 | 11.1967 | 11.2659 | -1.7 | 11.2638 | -0.5 | 11.2502 | 0.0 | 84.9 |
| Portugal | (Es) | 264.154 | +0.575 | 876 - 432 | 264.817 | 263.330 | 265.549 | -6.3 | 268.169 | -6.1 | - | - | - |
| Spain | (Pta) | 215.872 | +0.498 | 739 - 005 | 216.537 | 214.213 | 216.572 | -3.9 | 217.712 | -3.4 | 221.702 | -2.7 | 83.7 |
| Sweden | (SKr) | 12.2744 | +0.0581 | 644 - 843 | 12.3115 | 12.2130 | 12.3014 | -2.6 | 12.3269 | -1.7 | 12.4294 | -1.3 | 75.3 |
| Switzerland | (SFr) | 2.2054 | +0.0021 | 042 - 066 | 2.2108 | 2.1954 | 2.203 | 1.3 | 2.1976 | 1.4 | 2.1707 | 1.6 | 117.3 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 82.9 |
| Ecu | - | 1.3451 | +0.0051 | 444 - 459 | 1.3488 | 1.3385 | 1.3464 | -1.2 | 1.3482 | -0.9 | 1.3497 | -0.3 | - |
| SDR† | - | 0.920114 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.4987 | +0.0094 | 983 - 990 | 1.5026 | 1.4873 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 555.069 | +12.291 | 950 - 187 | 557.000 | 542.000 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.9776 | +0.0073 | 768 - 784 | 1.9830 | 1.9690 | 1.9747 | 1.8 | 1.9695 | 1.6 | 1.9552 | 1.1 | 92.2 |
| Mexico | (New Peso) | 4.6683 | +0.0327 | 659 - 707 | 4.6715 | 4.6363 | - | - | - | - | - | - | - |
| USA | ($) | 1.5013 | +0.01 | 010 - 016 | 1.5055 | 1.4903 | 1.4982 | 2.5 | 1.4931 | 2.2 | 1.4778 | 1.6 | 67.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.1758 | +0.0147 | 738 - 778 | 2.1803 | 2.1596 | 2.1743 | 0.8 | 2.1722 | 0.7 | 2.1722 | 0.2 | - |
| Hong Kong | (HK$) | 11.5993 | +0.0799 | 967 - 029 | 11.6124 | 11.5166 | 11.5794 | 2.1 | 11.5459 | 1.9 | 11.4546 | 1.3 | - |
| India | (Rs) | 47.0921 | +0.3078 | 793 - 052 | 47.1076 | 46.7520 | - | - | - | - | - | - | - |
| Japan | (Y) | 168.769 | +1.025 | 682 - 855 | 169.895 | 167.060 | 168.319 | 3.2 | 167.429 | 3.2 | 163.434 | 3.2 | 174.9 |
| Malaysia | (M$) | 4.1023 | +0.055 | 977 - 069 | 4.1076 | 4.0449 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.6874 | +0.0252 | 852 - 896 | 2.6937 | 2.6665 | 2.6896 | -1.0 | 2.6926 | -0.8 | 2.6944 | -0.3 | - |
| Philippines | (Peso) | 41.5110 | +0.3524 | 274 - 946 | - | - | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.6294 | +0.0373 | 275 - 313 | 5.6444 | 5.5889 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.4101 | +0.0147 | 088 - 113 | 2.4166 | 2.3911 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.1030 | +0.0294 | 009 - 051 | 5.1164 | 5.0715 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 6.4406 | +0.058 | 318 - 494 | 6.4511 | 6.3644 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1217.56 | +7.86 | 701 - 810 | 1220.65 | 1208.81 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 39.8520 | +0.3264 | 363 - 675 | 39.9600 | 39.5100 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 38.4033 | +0.272 | 806 - 259 | 38.4960 | 38.0920 | - | - | - | - | - | - | - |

†SDR rate for Jan 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.
Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Jan 12 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Morgan G'ty Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 12.1970 | -0.0305 | 945 - 995 | 12.2430 | 12.1945 | 12.222 | -2.5 | 12.262 | -2.1 | 12.367 | -1.4 | 103.1 |
| Belgium | (BFr) | 36.2160 | -0.0435 | 880 - 440 | 36.2440 | 36.1250 | 36.351 | -4.5 | 36.556 | -3.8 | 37.106 | -2.5 | 102.6 |
| Denmark | (DKr) | 6.7343 | -0.0185 | 305 - 380 | 6.7557 | 6.7300 | 6.7546 | -3.6 | 6.7846 | -3.0 | 6.8543 | -1.8 | 104.3 |
| Finland | (FM) | 5.7200 | -0.0343 | 150 - 250 | 5.7751 | 5.7130 | 5.732 | -2.5 | 5.7485 | -2.0 | 5.7925 | -1.3 | 75.2 |
| France | (FFr) | 5.9048 | -0.0108 | 035 - 060 | 5.9194 | 5.8950 | 5.9223 | -3.6 | 5.9506 | -3.1 | 6.0153 | -1.9 | 104.6 |
| Germany | (D) | 1.7366 | -0.0032 | 363 - 369 | 1.7417 | 1.7345 | 1.7411 | -3.1 | 1.7482 | -2.7 | 1.7642 | -1.6 | 104.3 |
| Greece | (Dr) | 249.850 | -0.3 | 700 - 000 | 250.270 | 249.700 | 253.6 | -18.0 | 260.35 | -16.8 | 293.35 | -17.4 | 71.8 |
| Ireland | (I£) | 1.4396 | +0.0081 | 389 - 402 | 1.4435 | 1.4313 | 1.4359 | 3.0 | 1.4298 | 2.7 | 1.4134 | 1.8 | - |
| Italy | (L) | 1692.60 | -9.08 | 220 - 300 | 1702.00 | 1691.00 | 1700.5 | -5.6 | 1714.25 | -5.1 | 1762.1 | -4.1 | 76.9 |
| Luxembourg | (LFr) | 36.2160 | -0.0435 | 880 - 440 | 36.2404 | 36.1250 | 36.351 | -4.5 | 36.556 | -3.8 | 37.106 | -2.5 | 102.6 |
| Netherlands | (Fl) | 1.9443 | -0.003 | 434 - 451 | 1.9494 | 1.9427 | 1.9485 | -2.6 | 1.9542 | -2.0 | 1.9671 | -1.2 | 103.7 |
| Norway | (NKr) | 7.4935 | -0.0215 | 920 - 950 | 7.5410 | 7.4920 | 7.5095 | -2.6 | 7.534 | -2.2 | 7.5885 | -1.3 | 95.0 |
| Portugal | (Es) | 175.950 | -0.8 | 800 - 100 | 177.000 | 175.800 | 177.18 | -8.4 | 179.36 | -7.8 | 187.1 | -6.3 | 94.0 |
| Spain | (Pta) | 143.790 | -0.635 | 730 - 850 | 144.900 | 143.730 | 144.56 | -6.4 | 145.825 | -5.7 | 150.04 | -4.3 | 79.0 |
| Sweden | (SKr) | 8.1758 | -0.0162 | 708 - 838 | 8.2213 | 8.1660 | 8.209 | -4.9 | 8.2555 | -3.9 | 8.4058 | -2.8 | 80.7 |
| Switzerland | (SFr) | 1.4690 | -0.0085 | 685 - 695 | 1.4779 | 1.4655 | 1.4703 | -1.1 | 1.4719 | -0.8 | 1.4682 | 0.1 | 103.7 |
| UK | (£) | 1.5013 | +0.01 | 010 - 016 | 1.5055 | 1.4903 | 1.4982 | 2.5 | 1.4931 | 2.2 | 1.4778 | 1.6 | 91.5 |
| Ecu | - | 1.1162 | +0.0033 | 158 - 165 | 1.1170 | 1.1126 | 1.1128 | 3.6 | 1.1075 | 3.1 | 1.0949 | 1.9 | - |
| SDR† | - | 1.37051 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9983 | -0.0004 | 982 - 983 | 0.9983 | 0.9981 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 369.725 | +5.75 | 720 - 730 | 369.745 | 369.720 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3173 | -0.0039 | 170 - 175 | 1.3220 | 1.3170 | 1.3181 | -0.7 | 1.3192 | -0.6 | 1.3231 | -0.4 | 88.3 |
| Mexico | (New Peso) | 3.1095 | +0.001 | 085 - 105 | 3.1105 | 3.1085 | 3.1112 | -0.7 | 3.1153 | -0.7 | 3.1295 | -0.6 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 102.9 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.4493 | +0.0001 | 482 - 503 | 1.4545 | 1.4482 | 1.4504 | -0.9 | 1.4536 | -1.2 | 1.461 | -0.8 | 87.0 |
| Hong Kong | (HK$) | 7.7265 | +0.0015 | 260 - 270 | 7.7280 | 7.7260 | 7.729 | -0.4 | 7.7317 | -0.3 | 7.739 | -0.2 | - |
| India | (Rs) | 31.3675 | -0.005 | 650 - 700 | 31.3750 | 31.3650 | 31.4475 | -3.1 | 31.6525 | -3.6 | - | - | - |
| Japan | (Y) | 112.415 | -0.07 | 380 - 450 | 112.800 | 112.050 | 112.34 | 0.8 | 112.14 | 1.0 | 110.59 | 1.6 | 138.1 |
| Malaysia | (M$) | 2.7325 | +0.0185 | 300 - 350 | 2.7400 | 2.7120 | 2.7293 | 1.4 | 2.7345 | -0.3 | 2.7625 | -1.1 | - |
| New Zealand | (NZ$) | 1.7901 | +0.0048 | 889 - 912 | 1.7915 | 1.7886 | 1.7914 | -0.9 | 1.7954 | -1.2 | 1.8059 | -0.9 | - |
| Philippines | (Peso) | 27.6500 | +0.05 | 000 - 000 | 27.9000 | 27.4000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7497 | -0.0003 | 492 - 502 | 3.7502 | 3.7492 | 3.7542 | -1.4 | 3.7672 | -1.9 | 3.7764 | -0.7 | - |
| Singapore | (S$) | 1.6053 | -0.001 | 048 - 058 | 1.6063 | 1.6030 | 1.6037 | 1.2 | 1.6019 | 0.8 | 1.6113 | -0.4 | - |
| S Africa (Com.) | (R) | 3.3991 | -0.0032 | 983 - 998 | 3.4018 | 3.3960 | 3.4168 | -6.2 | 3.4443 | -5.3 | 3.5471 | -4.4 | - |
| S Africa (Fin.) | (R) | 4.2900 | +0.01 | 850 - 950 | 4.2950 | 4.2600 | 4.317 | -7.6 | 4.37 | -7.5 | - | - | - |
| South Korea | (Won) | 811.000 | -0.2 | 800 - 200 | 811.500 | 810.800 | 814 | -4.4 | 817.5 | -3.2 | 836 | -3.1 | - |
| Taiwan | (T$) | 26.5450 | +0.04 | 400 - 500 | 26.5500 | 26.4800 | 26.6039 | -2.7 | 26.725 | -2.7 | - | - | - |
| Thailand | (Bt) | 25.5800 | +0.01 | 700 - 900 | 25.5900 | 25.5600 | 25.62 | -1.9 | 25.675 | -1.5 | 25.89 | -1.3 | - |

†SDR rate for Jan 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Jan 11. Base average 1990=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Jan.12 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.59 | 16.30 | 4.795 | 1.918 | 4674 | 5.369 | 20.69 | 485.9 | 397.1 | 22.57 | 4.056 | 1.839 | 3.638 | 2.761 | 310.5 | 2.474 |
| Denmark | (DKr) | 53.78 | 10 | 8.769 | 2.579 | 1.032 | 2513 | 2.887 | 11.13 | 261.3 | 213.6 | 12.14 | 2.181 | 0.989 | 1.956 | 1.485 | 167.0 | 1.330 |
| France | (FFr) | 61.33 | 11.40 | 10 | 2.941 | 1.177 | 2866 | 3.293 | 12.69 | 298.0 | 243.5 | 13.84 | 2.487 | 1.128 | 2.231 | 1.693 | 190.4 | 1.517 |
| Germany | (DM) | 20.86 | 3.878 | 3.400 | 1 | 0.400 | 974.7 | 1.120 | 4.315 | 101.3 | 82.82 | 4.707 | 0.846 | 0.384 | 0.759 | 0.576 | 64.75 | 0.516 |
| Ireland | (I£) | 52.13 | 9.693 | 8.500 | 2.500 | 1 | 2436 | 2.799 | 10.79 | 253.3 | 207.0 | 11.76 | 2.114 | 0.959 | 1.896 | 1.439 | 161.8 | 1.290 |
| Italy | (L) | 2.140 | 0.398 | 0.349 | 0.103 | 0.041 | 100. | 0.115 | 0.443 | 10.40 | 8.497 | 0.483 | 0.087 | 0.039 | 0.078 | 0.059 | 6.643 | 0.053 |
| Netherlands | (Fl) | 18.63 | 3.464 | 3.037 | 0.893 | 0.357 | 870.5 | 1 | 3.854 | 90.51 | 73.96 | 4.203 | 0.755 | 0.343 | 0.678 | 0.514 | 57.83 | 0.461 |
| Norway | (NKr) | 48.33 | 8.987 | 7.880 | 2.317 | 0.927 | 2259 | 2.595 | 10 | 234.8 | 191.9 | 10.91 | 1.960 | 0.889 | 1.758 | 1.334 | 150.0 | 1.196 |
| Portugal | (Es) | 20.58 | 3.827 | 3.356 | 0.987 | 0.395 | 961.8 | 1.105 | 4.258 | 100. | 81.72 | 4.644 | 0.835 | 0.379 | 0.749 | 0.568 | 63.89 | 0.509 |
| Spain | (Pta) | 25.18 | 4.683 | 4.106 | 1.208 | 0.483 | 1177 | 1.352 | 5.211 | 122.4 | 100. | 5.683 | 1.021 | 0.463 | 0.916 | 0.695 | 78.18 | 0.623 |
| Sweden | (SKr) | 44.31 | 8.240 | 7.225 | 2.125 | 0.850 | 2071 | 2.379 | 9.169 | 215.3 | 176.0 | 10 | 1.797 | 0.815 | 1.612 | 1.223 | 137.6 | 1.096 |
| Switzerland | (SFr) | 24.66 | 4.585 | 4.020 | 1.182 | 0.473 | 1152 | 1.324 | 5.102 | 119.8 | 97.91 | 5.565 | 1 | 0.454 | 0.397 | 0.681 | 76.55 | 0.610 |
| UK | (£) | 54.37 | 10.11 | 8.865 | 2.607 | 1.043 | 2541 | 2.919 | 11.25 | 264.2 | 215.9 | 12.27 | 2.205 | 1 | 1.978 | 1.501 | 168.8 | 1.345 |
| Canada | (C$) | 27.49 | 5.111 | 4.482 | 1.318 | 0.527 | 1285 | 1.476 | 5.688 | 133.6 | 109.2 | 6.203 | 1.115 | 0.506 | 1 | 0.759 | 85.34 | 0.680 |
| US | ($) | 36.22 | 6.736 | 5.906 | 1.737 | 0.695 | 1693 | 1.945 | 7.495 | 176.0 | 143.8 | 8.175 | 1.469 | 0.666 | 1.318 | 1 | 112.5 | 0.896 |
| Japan | (Y) | 322.1 | 59.89 | 52.52 | 15.44 | 6.179 | 15053 | 17.29 | 66.65 | 1565 | 1279 | 72.69 | 13.06 | 5.924 | 11.72 | 8.892 | 1000. | 7.968 |
| Ecu | | 40.42 | 7.517 | 6.591 | 1.938 | 0.775 | 1889 | 2.170 | 8.364 | 196.4 | 160.5 | 9.123 | 1.639 | 0.743 | 1.471 | 1.116 | 125.5 | 1 |

Yen per 1,000, Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

### ■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.5715 | 0.5729 | +0.0014 | 0.5734 | 0.5714 | 33,722 | 137,879 |
| Jun | 0.5694 | 0.5702 | +0.0017 | 0.5702 | 0.5694 | 668 | 6,552 |
| Sep | - | 0.5606 | - | - | - | 72 | 236 |

### ■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open Int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.6760 | 0.6804 | +0.0049 | 0.6812 | 0.6757 | 15,108 | 47,127 |
| Jun | 0.6800 | 0.6798 | +0.0056 | 0.6810 | 0.6790 | 33 | 475 |
| Sep | - | 0.6754 | -0.0030 | - | - | 2 | 30 |

### ■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.8918 | 0.8901 | +0.0003 | 0.8936 | 0.8886 | 15,592 | 100,537 |
| Jun | 0.8919 | 0.8930 | -0.0001 | 0.8935 | 0.8919 | 215 | 5,140 |
| Sep | - | 0.8976 | - | - | - | 3 | 304 |

### ■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1.4846 | 1.4948 | +0.0106 | 1.4968 | 1.4846 | 9,781 | 29,993 |
| Jun | 1.4870 | 1.4872 | +0.0100 | 1.4900 | 1.4868 | 15 | 98407 |
| Sep | 1.4800 | 1.4800 | +0.0082 | 1.4800 | 1.4800 | 4 | 9 |
| Dec | 1.4770 | 1.4770 | +0.0090 | 1.4770 | 1.4770 | 9 | 5 |

### EMS EUROPEAN CURRENCY UNIT RATES

| Jan 12 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.808628 | 0.773854 | -0.001513 | -4.30 | 8.98 | 29 |
| Netherlands | 2.19672 | 2.17360 | +0.00281 | -1.05 | 5.41 | - |
| Germany | 1.94964 | 1.94111 | +0.00265 | -0.44 | 4.76 | - |
| Belgium | 40.2123 | 40.4430 | +0.0505 | 0.57 | 3.70 | -4 |
| France | 6.53883 | 6.59450 | +0.0034 | 0.85 | 3.42 | -7 |
| Denmark | 7.43679 | 7.52692 | +0.00641 | 1.21 | 3.05 | -8 |
| Portugal | 192.854 | 196.702 | -0.541 | 2.00 | 2.26 | -13 |
| Spain | 154.250 | 160.879 | -0.011 | 4.30 | 0.00 | -30 |
| NON ERM MEMBERS | | | | | | |
| Greece | 264.513 | 279.030 | +0.244 | 5.51 | -1.15 | - |
| Italy | 1793.19 | 1893.35 | -6.4 | 5.59 | -1.22 | - |
| UK | 0.786749 | 0.744596 | -0.00313 | -5.36 | 10.20 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

### ■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Jan | Feb | Mar | PUTS Jan | Feb | Mar |
|---|---|---|---|---|---|---|
| 1.400 | 9.78 | 9.50 | 9.37 | - | - | 0.10 |
| 1.425 | 7.33 | 7.11 | 7.14 | - | 0.01 | 0.31 |
| 1.450 | 4.83 | 4.78 | 5.08 | - | 0.17 | 0.73 |
| 1.500 | 2.39 | 2.80 | 3.32 | 0.36 | 0.64 | 1.46 |
| 1.500 | 0.38 | 1.35 | 2.02 | 2.43 | 1.63 | 2.59 |
| 1.525 | - | 0.52 | 1.10 | | 3.24 | 4.12 |

Previous day's vol., Calls 8,098 Puts 15,098 . Prev. day's open int., Calls 517,342 Puts 464,463

## MONEY RATES

| January 12 | Over night | One month | Three mths | Six mths | One year | Lomb. Inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 7½ | 7¼ | 7 | 6⅝ | 6¼ | 7.40 | 5.25 | - |
| week ago | 7¼ | 7¼ | 6⅞ | 6½ | 6⅛ | 7.40 | 5.25 | - |
| France | 6½ | 6½ | 6⅜ | 6 | 5⅝ | 6.20 | - | 7.75 |
| week ago | 6.10 | 6½ | 6⅜ | 6 | 5⅝ | 6.20 | - | 7.75 |
| Germany | 6.02 | 6.05 | 5.80 | 5.55 | 5.20 | 6.75 | 5.75 | 6.00 |
| week ago | 6.08 | 6.05 | 5.80 | 5.50 | 5.18 | 6.75 | 5.75 | 6.00 |
| Ireland | 6¼ | 6¼ | 6⅛ | 5⅞ | 5⅜ | - | - | 6.75 |
| week ago | 6⅛ | 6¼ | 6⅛ | 5⅞ | 5⅝ | - | - | 6.75 |
| Italy | 9⅜ | 8½ | 8⅜ | 8¼ | 8 | - | 8.00 | 8.92 |
| week ago | 9⅜ | 8½ | 8⅜ | 8¼ | 7⅞ | - | 8.00 | 8.72 |
| Netherlands | 5.56 | 5.47 | 5.20 | 5.01 | 4.81 | - | 5.25 | - |
| week ago | 5.72 | 5.47 | 5.25 | 5.05 | 4.81 | - | 5.25 | - |
| Switzerland | 4⅛ | 4⅜ | 4 | 3⅞ | 3⅝ | 6.625 | 4.25 | - |
| week ago | 4½ | 4⅜ | 4⅛ | 3⅞ | 3⅝ | 6.625 | 4.25 | - |
| US | 3⅛ | 3⅛ | 3⅛ | 3⅜ | 3⅝ | - | 3.00 | - |
| week ago | 3⅛ | 3⅛ | 3⅜ | 3⅜ | 3⅝ | - | 3.00 | - |
| Japan | 2⅛ | 2⅜ | 2¼ | 1⅞ | 1⅝ | - | 1.75 | - |
| week ago | 2⅛ | 2⅛ | 2⅛ | 1⅞ | 1⅞ | - | 1.75 | - |
| **■ $ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | 3¼ | 3¼ | 3⅜ | 3⅝ | - | - | - |
| week ago | - | 3¼ | 3⅜ | 3⅜ | 3⅝ | - | - | - |
| US Dollar CDs | - | 2.94 | 3.01 | 3.14 | 3.44 | - | - | - |
| week ago | - | 2.94 | 3.11 | 3.27 | 3.62 | - | - | - |
| SDR Linked Ds | - | 3⅜ | 3⅜ | 3⅞ | 3⅞ | - | - | - |
| week ago | - | 3⅛ | 3⅜ | 3⅞ | 3⅞ | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

## EURO CURRENCY INTEREST RATES

| Jan 12 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 7 5/16 - 7 1/8 | 7¼ - 7⅛ | 7¼ - 7⅛ | 7 1/16 - 6 15/16 | 6 11/16 - 6 9/16 | 6 5/16 - 6 3/16 |
| Danish Krone | 7 - 6¼ | 7¼ - 6⅝ | 7 - 6½ | 6¾ - 6½ | 6 7/16 - 6 5/16 | 6 1/16 - 5⅞ |
| D-Mark | 6⅛ - 6 | 6 3/16 - 6 1/16 | 6⅛ - 6 | 5⅞ - 5¾ | 5⅝ - 5½ | 5 5/16 - 5 3/16 |
| Dutch Guilder | 5 5/16 - 5½ | 5⅝ - 5½ | 5 5/16 - 5⅓ | 5 5/16 - 5⅛ | 5 - 4 15/16 | 4¾ - 4 11/16 |
| French Franc | 6 7/16 - 6 5/16 | 6 7/16 - 6 5/16 | 6½ - 6⅜ | 6 7/16 - 6 5/16 | 6 - 5⅞ | 5⅝ - 5½ |
| Portuguese Esc. | 11 - 10⅞ | 11⅜ - 10⅞ | 11½ - 11 | 11 3/16 - 10 13/16 | 11 - 10¾ | 10¾ - 10¼ |
| Spanish Peseta | 9 5/16 - 9½ | 9 5/16 - 9⅛ | 9 5/16 - 9⅛ | 8⅞ - 8 11/16 | 8 7/16 - 8¼ | 8⅛ - 7 13/16 |
| Sterling | 5¾ - 5½ | 5½ - 5⅜ | 5 9/16 - 5 7/16 | 5 7/16 - 5 5/16 | 5 7/16 - 5 5/16 | 5⅜ - 5¼ |
| Swiss Franc | 4⅜ - 4⅛ | 4⅜ - 4⅛ | 4 5/16 - 4 3/16 | 4 - 3⅞ | 3⅞ - 3¾ | 3 11/16 - 3 9/16 |
| Can. Dollar | 4 - 3 13/16 | 3 15/16 - 3¾ | 3 13/16 - 3 11/16 | 3 13/16 - 3 11/16 | 3 15/16 - 3 13/16 | 4⅛ - 4 |
| US Dollar | 3 - 2⅞ | 3⅛ - 3 | 3⅛ - 3 | 3¼ - 3⅛ | 3⅜ - 3¼ | 3 11/16 - 3 9/16 |
| Italian Lira | 10 - 8 | 8¾ - 8¼ | 8⅜ - 7⅞ | 8⅜ - 7⅞ | 8⅛ - 7¾ | 8⅛ - 7¾ |
| Yen | 2 5/16 - 2⅛ | 2 5/16 - 2⅛ | 2 3/16 - 2 1/16 | 2¼ - 2 1/16 | 2 1/16 - 2 | 1 13/16 - 1 11/16 |
| Asian $Sing | 3½ - 2½ | 3½ - 2½ | 3½ - 2½ | 4 - 3 | 4 - 3 | 4¼ - 3¼ |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

### ■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.24 | 94.25 | +0.02 | 94.27 | 94.24 | 20,131 | 112,486 |
| Jun | 94.73 | 94.75 | +0.03 | 94.76 | 94.72 | 6,394 | 62,333 |
| Sep | 95.10 | 95.11 | +0.02 | 95.13 | 95.09 | 12,024 | 36,408 |
| Dec | 95.39 | 95.40 | +0.02 | 95.42 | 95.38 | 2,466 | 26,354 |

### ■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.61 | 96.62 | +0.03 | 96.62 | 96.61 | 237 | 5174 |
| Jun | 96.37 | 96.36 | +0.05 | 96.37 | 96.34 | 72 | 2922 |
| Sep | 96.07 | 96.08 | +0.05 | 96.07 | 96.07 | 32 | 859 |
| Dec | 95.69 | 95.70 | +0.05 | 95.70 | 95.69 | 107 | 198 |

### ■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.49 | 94.48 | - | 94.50 | 94.47 | 36629 | 226312 |
| Jun | 94.92 | 94.91 | - | 94.95 | 94.89 | 31612 | 157267 |
| Sep | 95.32 | 95.29 | -0.01 | 95.33 | 95.26 | 23259 | 130247 |
| Dec | 95.58 | 95.52 | -0.02 | 95.58 | 95.50 | 14397 | 98871 |

### ■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 91.90 | 92.02 | +0.06 | 92.08 | 91.90 | 5690 | 48119 |
| Jun | 92.55 | 92.53 | +0.03 | 92.57 | 92.51 | 2037 | 27464 |
| Sep | 92.95 | 92.92 | +0.02 | 92.96 | 92.91 | 1591 | 21849 |
| Dec | 93.18 | 93.16 | - | 93.20 | 93.15 | 1053 | 6343 |

### ■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.25 | 96.24 | +0.03 | 96.27 | 96.23 | 5034 | 34240 |
| Jun | 96.52 | 96.54 | +0.04 | 96.56 | 96.52 | 1404 | 13427 |
| Sep | 96.69 | 96.70 | +0.03 | 96.70 | 96.69 | 63 | 5079 |
| Dec | 96.71 | 96.71 | +0.02 | 96.71 | 96.71 | 90 | 1272 |

### ■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.12 | 94.09 | - | 94.13 | 94.09 | 1648 | 14715 |
| Jun | 94.62 | 94.59 | - | 94.64 | 94.59 | 495 | 9871 |
| Sep | 94.99 | 94.98 | - | 95.03 | 94.98 | 392 | 6952 |
| Dec | 95.31 | 95.27 | -0.02 | 95.33 | 95.27 | 216 | 4442 |

* LIFFE futures traded on APT

### ■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.60 | 96.63 | +0.04 | 96.64 | 96.59 | 48,522 | 424,514 |
| Jun | 96.33 | 96.36 | +0.04 | 96.38 | 96.33 | 73,296 | 373,492 |
| Sep | 96.05 | 96.09 | +0.05 | 96.10 | 96.05 | 49,461 | 267,308 |
| Dec | 95.67 | 95.71 | +0.05 | 95.73 | 95.67 | 28,390 | 198,174 |

### ■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.90 | 96.90 | +0.03 | 96.92 | 96.89 | 1,112 | 27,487 |
| Jun | 96.66 | 96.67 | +0.03 | 96.66 | 96.66 | 41360 | 6,681 |
| Sep | 96.43 | 96.43 | +0.03 | 96.42 | 96.42 | 168 | 2,095 |

All Open interest figs. are for previous day

### ■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS Mar | Jun | Sep | PUTS Mar | Jun | Sep |
|---|---|---|---|---|---|---|
| 9425 | 0.25 | 0.68 | 1.06 | 0.02 | 0.02 | 0.02 |
| 9450 | 0.08 | 0.45 | 0.82 | 0.10 | 0.04 | 0.03 |
| 9475 | 0.02 | 0.25 | 0.60 | 0.29 | 0.09 | 0.06 |

Est. vol. total, Calls 5168 Puts 6048. Previous day's open int., Calls 188180 Puts 100777

### ■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Mar | Jun | Sep | PUTS Mar | Jun | Sep |
|---|---|---|---|---|---|---|
| 9600 | 0.26 | 0.56 | 0.74 | 0.02 | 0.02 | 0.04 |
| 9625 | 0.08 | 0.34 | 0.52 | 0.09 | 0.05 | 0.07 |
| 9650 | 0.02 | 0.17 | 0.34 | 0.28 | 0.13 | 0.14 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1149 Puts 2450

## UK INTEREST RATES

### LONDON MONEY RATES

| Jan 12 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7 - 5½ | 5 11/16 - 5 7/16 | 5 9/16 - 5 7/16 | 5½ - 5⅜ | 5 7/16 - 5 5/16 | 5⅜ - 5¼ |
| Sterling CDs | - | - | 5 7/16 - 5⅜ | 5 11/32 - 5 5/16 | 5¼ - 5 3/16 | 5¼ - 5 3/16 |
| Treasury Bills | - | - | 5 7/16 - 5 5/16 | 5 - 4⅞ | - | - |
| Bank Bills | - | - | 5 7/32 - 5 5/32 | 5⅛ - 5 3/32 | 5 3/32 - 5 1/32 | - |
| Local authority deps. | 5 13/16 - 5 11/16 | 5 7/16 - 5 5/16 | 5 9/16 - 5 7/16 | 5 7/16 - 5 5/16 | 5⅜ - 5¼ | 5 5/16 - 5 3/16 |
| Discount market deps. | 6¼ - 5½ | 5 9/16 - 5½ | - | - | - | - |

UK clearing bank base lending rate 5½ per cent from November 23, 1993

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 1¾ | 4¼ | 4 | 3¾ | 3¾ |

Certs of Tax dep. under £100,000 is 2¼pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.8934pc. ECGD fixed rate Stg. Export Finance. Make up day December 31, 1993. Agreed rate for period Jan 26, 1994 to Feb 25, 1994, Schemes II & III 6.65pc. Reference rate for period Dec 1, 1993 to Dec 31, 1993, Schemes IV & V 5.375pc. Finance House Base Rate 5½pc from Jan 1, 1994

### ■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.65 | 94.64 | +0.01 | 94.68 | 94.62 | 37041 | 120606 |
| Jun | 94.80 | 94.77 | -0.01 | 94.84 | 94.75 | 41985 | 107287 |
| Sep | 94.85 | 94.79 | -0.05 | 94.87 | 94.77 | 14230 | 54130 |
| Dec | 94.84 | 94.76 | -0.06 | 94.85 | 94.74 | 13339 | 62298 |

Traded on APT. All Open interest figs. are for previous day.

### ■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Mar | Jun | Sep | PUTS Mar | Jun | Sep |
|---|---|---|---|---|---|---|
| 9450 | 0.13 | 0.35 | 0.46 | 0.05 | 0.08 | 0.17 |
| 9475 | 0.07 | 0.20 | 0.29 | 0.18 | 0.18 | 0.25 |
| 9500 | 0.02 | 0.10 | 0.18 | 0.38 | 0.33 | 0.39 |

Est. vol. total, Calls 20984 Puts 40080. Previous day's open int., Calls 122969 Puts 112101

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 5.5 | Duncan Lawrie | 5.5 | * Roxburghe Bank Ltd is no longer authorised as a banking institution. | 8 |
| Allied Trust Bank | 5.5 | Exeter Bank Limited | 6.5 | Royal Bk of Scotland | 5.5 |
| AIB Bank | 5.5 | Financial & Gen Bank | 6 | ●Smith & Williamson Secs. | 5.5 |
| ●Henry Ansbacher | 5.5 | ●Robert Fleming & Co | 5.5 | Standard Chartered | 5.5 |
| Bank of Baroda | 5.5 | Girobank | 5.5 | TSB | 5.5 |
| Banco Bilbao Vizcaya | 5.5 | ●Guinness Mahon | 5.5 | ●United Bk of Kuwait | 5.5 |
| Bank of Cyprus | 5.5 | Habib Bank AG Zurich | 5.5 | Unity Trust Bank Plc | 5.5 |
| Bank of Ireland | 5.5 | ●Hambros Bank | 5.5 | Western Trust | 5.5 |
| Bank of India | 5.5 | Heritable & Gen Inv Bk. | 5.5 | Whiteaway Laidlaw | 5.5 |
| Bank of Scotland | 5.5 | ●Hill Samuel | 5.5 | Wimbledon & Sth West. | 7 |
| Barclays Bank | 5.5 | C. Hoare & Co | 5.5 | Yorkshire Bank | 5.5 |
| Brit Bk of Mid East | 5.5 | Hongkong & Shanghai. | 5.5 | | |
| ●Brown Shipley | 5.5 | Julian Hodge Bank | 5.5 | | |
| CL Bank Nederland | 5.5 | ●Leopold Joseph & Sons | 5.5 | | |
| Citibank NA | 5.5 | Lloyds Bank | 5.5 | | |
| City Merchants Bank | 5.5 | Meghraj Bank Ltd | 5.5 | | |
| Clydesdale Bank | 5.5 | Midland Bank | 5.5 | | |
| The Co-operative Bank | 5.5 | * Mount Banking | 6 | | |
| Coutts & Co | 5.5 | NatWestminster | 5.5 | | |
| Credit Lyonnais | 5.5 | ●Rea Brothers | 5.5 | | |
| Cyprus Popular Bank | 5.5 | | | | |

● Members of British Merchant Banking & Securities Houses Association
* In administration

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

| | Gross | Net | CAR | Int Cr |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

30-90 day notice available Tel 081-829 5526

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded annual Rate' Int Cr: Frequency at which interest is credited to the account.

# WORLD STOCK MARKETS

## EUROPE

## PACIFIC

## NORTH AMERICA

## AFRICA

*Prices supplied by Telekurs*

NOTES - OWING TO PROBLEMS AT TELEKURS, MOST HIGH/LOW FIGS CURRENTLY RELATE TO 1993 ONLY. Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

**FT FREE ANNUAL REPORTS SERVICE**

You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. (If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822, quoting FT Japan) The Reports will be sent on the next working day if fading please remember to state FT Japan and also your post code.

### ■ TOKYO - MOST ACTIVE STOCKS: Wednesday, January 12, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Hanwa | 12.5m | 728 | +91 | Mitsubishi Matl | 4.7m | 446 | +3 |
| Isuzu Motors | 10.4m | 420 | -3 | Nippon Paint | 4.2m | 675 | +96 |
| Sumitomo Mtl Min | 6.8m | 940 | +25 | Tokyu Land | 4.1m | 666 | +18 |
| Oki Electric | 5.1m | 584 | +15 | Mitsubishi Hvy | 4.1m | 673 | +3 |
| Hitachi | 4.8m | 849 | +9 | Fujitsu | 4.0m | 885 | +2 |

## INDICES

## US INDICES

| Dow Jones | Jan 11 | Jan 10 | Jan 7 | 1993/4 High | 1993/4 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3850.31 | 3865.51 | 3820.77 | 3865.51 (10/1/94) | 3241.95 (20/1/93) | 3865.51 (10/1/94) | 41.22 (2/7/32) |
| Home Bonds | 105.58 | 105.31 | 105.16 | 111.29 (10/12/93) | 103.49 (11/1/93) | 111.28 (10/12/93) | 54.99 (1/10/81) |
| Transport | 1812.29 | 1819.58 | 1799.21 | 1819.58 (10/1/94) | 1453.84 (4/1/93) | 1819.58 (10/1/94) | 12.32 (8/7/32) |
| Utilities | 222.19 | 224.23 | 222.98 | 256.46 (31/8/93) | 217.14 (8/1/93) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 3885.21 (3874.52) Low 3823.02 (3804.72) (Theoretical♣)
Day's high 3865.51 (3865.51) Low 3846.09 (3814.01) (Actual♣)

| Standard and Poors | Jan 11 | Jan 10 | Jan 7 | 1993/4 High | 1993/4 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 474.13 | 475.27 | 469.90 | 476.27 (10/1/94) | 429.05 (8/1/93) | 476.27 (10/1/94) | 4.40 (1/6/32) |
| Industrials | 552.12 | 553.49 | 547.02 | 553.49 (10/1/94) | 496.48 (28/4/93) | 553.49 (10/1/94) | 3.62 (21/6/92) |
| Financial | 44.88 | 44.85 | 44.38 | 48.40 (28/9/93) | 39.89 (8/1/93) | 48.40 (28/9/93) | 8.64 (1/10/74) |
| NYSE Comp. | 262.26 | 262.76 | 260.34 | 262.76 (10/1/94) | 236.21 (8/1/93) | 262.76 (10/1/94) | 4.46 (25/4/42) |
| Amex Mkt Val | 479.37 | 478.78 | 479.49 | 484.28 (2/11/93) | 395.84 (8/1/93) | 484.28 (2/11/93) | 29.31 (9/12/72) |
| NASDAQ Cmp | 785.52 | 786.69 | 782.94 | 787.42 (15/10/93) | 645.87 (26/4/93) | 787.42 (15/10/93) | 54.87 (31/10/72) |

### ■ RATIOS

| | Jan 7 | Dec 31 | Dec 17 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.65 | 2.68 | 2.67 | 3.19 |
| | Jan 5 | Dec 29 | Dec 22 | Year ago |
| S & P Ind. Div. yield | 2.38 | 2.38 | 2.40 | 2.58 |
| S & P Ind. P/E ratio | 27.72 | 27.21 | 27.43 | 26.85 |

### ■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

| | Open | Latest | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Mar | 475.35 | 475.30 | -0.05 | 475.75 | 475.00 | 47,671 | 182,512 |
| Jun | 476.15 | 476.40 | +0.05 | 476.70 | 476.15 | 147 | 3,816 |
| Sep | - | 477.70 | - | 477.85 | 477.55 | 9 | 791 |

Open interest figures are for previous day.

### ■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett.Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jan | 2325.0 | 2291.0 | -44.0 | 2328.0 | 2291.0 | 25,606 | 40,757 |
| Feb | 2337.5 | 2303.5 | -44.0 | 2337.5 | 2308.5 | 69 | 1,829 |
| Mar | 2349.5 | 2315.5 | -44.0 | 2352.0 | 2318.5 | 1,226 | 31,305 |
| Jun | 2330.0 | 2311.0 | -44.0 | 2330.0 | 2330.0 | 150 | 2,035 |

Open interest figures for previous day.

### ■ NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Telefonos | 5,710,200 | 66½ | +1 |
| Amer Express | 5,241,800 | 30⅞ | +1⅛ |
| Blockbuster | 4,826,100 | 28⅝ | +⅛ |
| Natl Steel | 3,795,000 | 13⅛ | -⅛ |
| Gen Motors | 3,725,600 | 59⅝ | +⅛ |
| Maxus Energy | 3,628,800 | 5¼ | -¼ |
| Westinghouse | 3,455,300 | 13⅝ | -¼ |
| Wal-Mart Strs | 3,380,500 | 25½ | +⅜ |
| Ford Motor | 3,022,200 | 68¾ | +1⅛ |
| RJR Nabisco | 2,720,100 | 6⅝ | -⅛ |

### ■ TRADING ACTIVITY

● Volume (million)

| | Jan 11 | Jan 10 | Jan 7 |
|---|---|---|---|
| New York SE | 298.024 | 317.598 | 323.367 |
| Amex | 18.797 | 19.177 | 21.678 |
| NASDAQ | 321.930 | 313.352 | 330.058 |
| NYSE | | | |
| Issues Traded | 2,740 | 2,736 | 2,718 |
| Rises | 995 | 1,332 | 1,277 |
| Falls | 1,144 | 815 | 852 |
| Unchanged | 601 | 589 | 589 |
| New Highs | 121 | 139 | 91 |
| New Lows | 12 | 11 | 19 |

** Sat Jan 8 : Taiwan Weighted Price 6375.15; Korea Comp Ex 880.01. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 12 - 2182.06 -46.04.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

*4 pm close January 12*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1993/94 High | Low | Stock | Div | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15 | 11½ | AAR | 0.48 | 3.3 | 491 | 151 | 14⅞ | 14¾ | 14⅞ | -⅛ |
| 29½ | 12¾ | 4 L Labs A | 0.18 | 1.3 | 32 | 152 | 14¼ | 14⅛ | 14⅛ | -⅛ |
| 67¼ | 54⅝ | AMP | 1.60 | 2.5 | 22 | 1697 | 63½ | 63 | 63⅛ | -½ |
| 72¾ | 55½ | AMR | | | 55 | 5087 | 70¾ | 69⅝ | 70 | -¼ |
| 3⅞ | 1¾ | ARX | | | 17 | 985 | u4¼ | 4⅛ | 4¼ | +⅛ |
| 51½ | 29⅞ | ASA | 2.00 | 3.7 | 36 | 915 | u55⅞ | 54⅝ | 54¾ | -⅞ |
| 30¾ | 22⅝ | AbbtL | 0.68 | 2.3 | 18 | 6470 | 30⅛ | 29⅞ | 29⅞ | -½ |
| 12⅝ | 8¼ | AbtHbl Pr | 0.50 | 4.1 | 7 | 79 | 12⅛ | 12¼ | 12¼ | -⅛ |
| 15½ | 8¼ | Acpmcein | | | 21 | 10 | 12⅞ | 12⅞ | 12⅞ | +⅛ |
| 36 | 25½ | ACE Ltd | 0.40 | 1.4 | 5 | 485 | 29⅝ | 29⅜ | 29⅝ | |
| 12⅝ | 10¼ | ACM Gvt In | 1.06 | 8.4 | | 565 | 12½ | 12⅜ | 12½ | +⅛ |
| 10⅛ | 9½ | ACM GvOpp x | 0.80 | 8.3 | | 99 | 9⅝ | 9½ | 9⅝ | |
| 10⅝ | 8¾ | ACM Gvt Sp | 0.95 | 9.3 | | 288 | 10¼ | 10⅛ | 10¼ | +⅛ |
| 12¼ | 10½ | ACM Gvt Se | 1.04 | 8.7 | | 266 | 12 | 11⅞ | 12 | +⅛ |
| 12¼ | 9⅝ | ACM Man | 1.09 | 9.5 | | 370 | 11½ | 11⅜ | 11⅜ | -⅛ |
| 9⅞ | 8⅝ | ACM Mnegd x | 0.72 | 7.9 | | 234 | 9⅛ | 9 | 9⅛ | |
| 12⅜ | 7¾ | AcmeClv | 0.44 | 4.5 | 12 | 49 | 9⅞ | 9½ | 9¾ | -⅛ |
| 11⅜ | 6⅞ | Acme Elect | | | 35 | 55 | 8 | 7¾ | 7⅞ | |
| 27⅝ | 18⅜ | Acordia | 0.44 | 1.8 | 13 | 24 | 24 | 23¾ | 24 | |
| 16 | 10⅜ | Acuson | | | 59 | 376 | 13 | 12⅞ | 13 | |
| 21¾ | 17¾ | Adams Expr | 0.52 | 2.8 | 0 | 336 | 18¼ | 18⅛ | 18¼ | |
| 68¼ | 45½ | Ad Micro | 3.00 | 6.3 | | 62 | 47⅝ | 46¾ | 47⅜ | +⅜ |
| 32¾ | 17 | AdvMic | 3.00 | 16.8 | 6 | 7041 | 18⅛ | 17¾ | 17⅞ | +¼ |
| 8½ | 5½ | Advest Grp | 0.16 | 2.4 | 11 | 92 | 6⅝ | 6½ | 6⅝ | |
| 24¾ | 14¾ | Adwo Inc | 0.08 | 0.4 | 85 | 586 | 18 | 17¾ | 17⅞ | |
| 58½ | 41⅛ | Aegon ADR | 1.23 | 2.2 | 12 | 18 | 55⅞ | 55½ | 55⅝ | -⅛ |
| 66¼ | 43⅜ | AetnaL | 2.76 | 4.9 | 24 | 2418 | 56½ | 55⅞ | 56⅛ | +¼ |
| 34 | 24⅞ | Aflac | 0.40 | 1.5 | 12 | 2631 | 26⅞ | 26¼ | 26½ | +¼ |
| 22⅛ | 16⅛ | Ahmnsn | 0.88 | 4.5 | 9 | 1534 | 19¾ | 19½ | 19⅝ | |
| 7¾ | 3⅝ | Aileen Inc | | | 3 | 734 | 3 | d2¾ | 2⅞ | -¼ |
| 48½ | 37½ | AirPrC | 0.92 | 2.0 | 26 | 1823 | 47¼ | 46⅝ | 46⅞ | |

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

*4 pm close January 12*

# NYSE COMPOSITE PRICES

Continued from previous page

| 1993/94 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 26 | 16⅞ | Sofeg'd Sc | | | 13 | 387 | u29 | 26⅛ | 28¾ | +1⅝ |
| 24¾ | 13⅛ | SthyKl | 0.36 | 2.0 | 27 | 3271 | 18⅜ | 17⅝ | 17⅞ | -⅝ |
| 22¾ | 10⅞ | Safeway | | | 25 | 1812 | 20¼ | 19½ | 20¼ | +¾ |
| 5¾ | 2 | SafewayW95 | | | | 2100 | 4⅜ | 4⅜ | 4⅜ | |
| 55 | 37½ | StJoePaper | 0.20 | 0.4 | 276 | 47 | 53⅜ | 52¾ | 53 | -¼ |
| 37⅞ | 28¾ | StJoeL&P | 1.76 | 6.2 | 11 | 15 | 28½ | d28¼ | 28¾ | |
| 98 | 76 | StPaul | 2.80 | 3.2 | 14 | 693 | 87¾ | 87⅛ | 87½ | +¼ |
| 11⅞ | 6⅛ | Salant Cp | | | 10 | 63 | 8¼ | 8 | 8 | -⅛ |
| 75¼ | 39⅞ | Sallie Mae | 1.40 | 2.9 | 10 | 4605 | 48½ | 47⅝ | 48⅛ | -¼ |
| 14⅝ | 12⅝ | Salomon Br | 0.56 | 4.2 | | 485 | 13¼ | 13⅛ | 13¼ | |
| 51⅞ | 34 | Salomon | 0.64 | 1.4 | 11 | 4771 | 47⅞ | 46⅞ | 46¾ | -¾ |
| 27¾ | 23¾ | SnDgGE | 1.48 | 6.1 | 13 | 682 | 24⅜ | 23⅞ | 24⅛ | +¼ |
| 5 | 3½ | SantaFeEDu | 0.40 | 8.2 | 46 | 10 | 4⅞ | 4⅞ | 4⅞ | |
| 11⅞ | 8⅜ | SantaFeERe | 1.40 | 14.9 | 312 | 1929 | 9⅝ | 9¼ | 9⅜ | -⅛ |
| 40⅝ | 35¾ | SantaFePac | 2.80 | 7.3 | 16 | 88 | 38¼ | 37¾ | 38¼ | +½ |
| 22½ | 12¾ | SanFeP | 0.10 | 0.4 | 9 | 3905 | u23¾ | 23⅛ | 23¾ | +⅝ |
| 31⅛ | 21 | SaraLee | 0.64 | 2.8 | 17 | 9239 | 25⅞ | 24⅛ | 24¾ | -⅜ |
| 52¼ | 40⅛ | Scana Corp | 2.74 | 5.6 | 13 | 362 | 49½ | 49⅛ | 49⅛ | +⅜ |
| 29¾ | 19⅞ | Scecorp | 1.42 | 7.1 | 13 | 7205 | 20 | d19⅞ | 20 | |
| 38⅞ | 23⅞ | ScherrerRP | | | 29 | 331 | 37 | 36¾ | 36¾ | -¼ |
| 71 | 51¾ | SchrPl | 1.80 | 2.7 | 18 | 3273 | 67⅞ | 65⅞ | 66¾ | -⅝ |
| 65⅞ | 55⅜ | Schlmb | 1.20 | 2.0 | 23 | 6094 | 60 | 59¾ | 59⅞ | +⅛ |
| 38¾ | 16½ | Schwab(C) | 0.20 | 0.6 | 15 | 1015 | 31⅞ | 31 | 31½ | +⅛ |
| 7¾ | 5⅝ | Schweitzer | | | 98 | 131 | 7⅛ | 6⅞ | 7 | +⅛ |
| 39⅞ | 17¾ | SciAtl | 0.12 | 0.3 | 65 | 2232 | 38⅞ | 36⅛ | 36½ | +⅛ |
| 14⅞ | 9⅛ | Scoimao | 0.10 | 0.7 | 13 | 4 | 14 | 14 | 14 | -⅛ |

| 1993/94 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 19½ | 14⅝ | TNP Enterp | 1.63 | 9.4 | 32 | 138 | 17⅜ | 17¼ | 17⅜ | [illegible] |
| 70¼ | 52½ | TRW | 1.88 | 2.7 | 21 | 877 | u70¾ | 70⅛ | 70¾ | [illegible] |
| 25⅞ | 5¾ | T2 Medcl | 0.10 | 1.3 | 7 | 1342 | 7¾ | 7½ | 7⅝ | [illegible] |
| 39¾ | 17⅛ | Taiwan Fd | | | | 1457 | 34 | 32¼ | 32¾ | [illegible] |
| 9 | 3⅛ | Talleylnd | 0.42 | 6.4 | 50 | 38 | 6⅞ | 6¾ | 6⅝ | [illegible] |
| 14½ | 6½ | Talley Pf | 1.00 | 8.3 | | 13 | 12 | 11⅝ | 12 | [illegible] |
| 65 | 38½ | Tmbrds | 1.68 | 3.8 | 20 | 3249 | 44½ | 44 | 44⅛ | [illegible] |
| 16⅝ | 8½ | Tandem | | | | 2 6102 | 12¼ | 11⅞ | 12⅛ | [illegible] |
| 50¾ | 24⅝ | Tandy | 0.60 | 1.4 | 218 | 3850 | 45½ | 44¼ | 44⅞ | [illegible] |
| 13½ | 11¼ | Taurus Mun | 0.74 | 6.3 | | 100 | 11⅞ | 11¾ | 11¾ | |
| 25⅞ | 20¼ | Taco Energ | 0.96 | 4.5 | 16 | 472 | 21½ | 21⅛ | 21¼ | [illegible] |
| 27⅞ | 20⅛ | Tkdmx | 0.60 | 2.4 | 14 | 541 | 25⅞ | 25½ | 25½ | [illegible] |
| 5 | 1¾ | Telecm | | | 18 | 60 | 3⅜ | 3¼ | 3⅜ | [illegible] |
| 27¾ | 18½ | Teldyn | 0.80 | 3.1 | 21 | 1027 | 26 | 25⅜ | 25¾ | [illegible] |
| 40⅛ | 29½ | TeleEspSA | 1.62 | 4.0 | 7 | 1845 | u40⅛ | 39⅞ | 40⅛ | [illegible] |
| 67⅞ | 44⅞ | Telmex | 0.96 | 1.4 | 13 | 44099 | 67⅛ | 65⅞ | 66½ | [illegible] |
| 52½ | 37¼ | Tmplnl | 1.00 | 1.9 | 33 | 939 | u53½ | 52⅝ | 52⅝ | [illegible] |
| 28½ | 14⅞ | TempltEmMk | 0.17 | 0.6 | | 309 | u28½ | 27½ | 27¾ | [illegible] |
| 9⅛ | 7⅞ | TempltGlob | 0.72 | 8.9 | | 180 | 8⅛ | 8⅛ | 8⅛ | [illegible] |
| 8 | 7½ | TempltGlFd v | 0.60 | 7.7 | | 1446 | 7⅞ | 7¾ | 7¾ | [illegible] |
| 55 | 38⅛ | Tnneco | 1.60 | 3.0 | 26 | 3873 | 54⅛ | 53⅞ | 54⅛ | [illegible] |
| 29½ | 21¾ | Teppco Pts | 2.28 | 8.0 | 11 | 72 | 28⅝ | 28⅛ | 28⅝ | [illegible] |
| 29⅝ | 13 | Teradyne | | | 31 | 3778 | 25½ | 24¾ | 25⅜ | [illegible] |
| 11⅞ | 6¼ | Terex | 0.08 | 1.0 | 0 | 652 | 6½ | d6¼ | 6¼ | [illegible] |
| 7⅞ | 3½ | Terra Inds | 0.08 | 1.0 | 27 | 1280 | u7¾ | 7½ | 7⅝ | [illegible] |
| 7¾ | 3 | Tesoro | | | 1 | 1110 | 5⅞ | 5⅝ | 5⅞ | [illegible] |
| 69½ | 57⅝ | Texaco | 3.20 | 4.9 | 15 | 5540 | 66⅛ | 65½ | 65¾ | [illegible] |
| 53⅞ | 50½ | Texaco C | 3.00 | 5.8 | | z100 | 51⅝ | 51⅜ | 51⅜ | [illegible] |

[illegible]

Price data supplied by Telekurs

# NASDAQ NATIONAL MARKET

*4 pm close January 12*

[illegible]

# AMEX COMPOSITE PRICES

*4 pm close January 12*

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Adv Magn | | 37 | 73 | 13½ | 13 | 13⅜ | -⅛ |
| Air Expr | 0.20 | 12 | 326 | 18⅞ | 18⅝ | 18⅝ | |
| Alfin Inc | | 1 | 3 | 1 | 1 | 1 | +1/16 |
| Alpha Ind | | 12 | 131 | 4⅞ | 4⅝ | 4⅞ | +1/16 |
| Am Isr Pa | 1.04 | 13 | 32 | 45⅝ | 45⅜ | 45⅝ | |
| AmMaize A | 0.64 | 31 | 610 | 19 | 18¾ | 18¾ | +¼ |
| Amdahl | 0.05 | 1 | 2272 | 6⅝ | 6½ | 6⅝ | |
| Am Expl | | 1 | 341 | 1⅞ | 1½ | 1⅞ | +1/16 |
| Ampal-AmA | | 66 | 467 | 12¼ | 12 | 12 | +⅛ |
| ASR Invs | 0.72 | 0 | 98 | 1⅞ | 1¾ | 1¾ | -1/16 |
| Astrotech | | 56 | 74 | 3⅞ | 3⅝ | 3⅞ | |
| Atari | | 7 | 1817 | 7⅞ | 6⅞ | 7⅞ | +⅛ |
| AtlasCM B | | 0 | 3 | | | | |
| Audiovx A | | 15 | 68 | 16⅝ | 16⅜ | 16½ | +⅛ |
| B&H Ocean | 0.55 | 1 | 52 | 4⅛ | 4 | 4⅛ | |
| BadgerMtr | 0.68 | 35 | 5 | 19¼ | 19¼ | 19¼ | -⅛ |
| BaldwnT A | 0.04 | 22 | 79 | 5 | 4⅞ | 5 | |
| Barry RG | | 17 | 134 | 16 | 15¾ | 16 | +⅝ |
| BAT Ind | 0.29 | 14 | 413 | 8 | 7⅞ | 7⅞ | -1/16 |
| Beard Oil | | 0 | 2 | | | | |
| Bergen Br | 0.40 | 22 | 678 | 18 | 17¾ | 17¾ | |
| Blaks Man. | 0.50 | 182 | 6 | 23 | 22¾ | 22¾ | -¼ |
| Bio-Rad A | | 17 | 86 | 10⅝ | 10⅜ | 10⅝ | +⅛ |
| Blount A | 0.50 | 30 | 237 | 28⅜ | 27⅞ | 28⅛ | +⅜ |
| Bolar Ph | | 42 | 208 | 6⅝ | 6⅜ | 6⅝ | |
| Bow Valley | | 42 | 5 | 10⅛ | 10⅛ | 10⅛ | |
| Bowmar | | 66 | 36 | 4 | 3½ | 4 | +⅛ |
| Bowne | 0.30 | 10 | 387 | 20¾ | 20⅛ | 20¾ | +¾ |
| Brascan A | 1.04 | 13 | 31 | u12¾ | 12⅝ | 12¾ | +⅛ |
| Cal Engy | | 17 | 1344 | 17⅞ | 17⅜ | 17⅜ | |
| Calprop | | 0 | 20 | 1 | 1 | 1 | +1/16 |
| Cambrex | 0.20 | 13 | 4 | 19⅞ | 19⅞ | 19⅞ | |
| Can Marc | 0.28 | 15 | 8 | 10½ | 10½ | 10½ | |
| Cmbrs A | 0.01 | 11 | 1145 | 5½ | 5⅛ | 5⅜ | |
| Chambers | | 11 | 28 | 5⅜ | 5⅜ | 5⅜ | -⅛ |

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Chiles | | 23 | 438 | 4¼ | 4⅛ | 4¼ | |
| Cntrl FdA | 0.01 | | 314 | 5½ | 5¼ | 5⅜ | -⅛ |
| Cominco | 0.30 | 6 | 22 | u16¾ | 16 | 16 | -⅛ |
| Computrac | | 6 | 70 | 1¼ | 1¼ | 1¼ | |
| Concd FbA | | 6 | 81 | 9⅞ | 9½ | 9⅞ | +⅜ |
| CrossAT A | 0.64 | 245 | 163 | 14¾ | 14⅝ | 14¾ | |
| Crown C A | 0.40 | 9 | 18 | 15¾ | 15½ | 15½ | +⅛ |
| Crown C B | 0.40 | 12 | 8 | 14½ | 14⅜ | 14⅝ | |
| Cubic | 0.53 | 58 | 21 | 21¾ | 21⅛ | 21⅛ | -¼ |
| Customedix | | 15 | 8 | 2⅜ | 2⅜ | 2⅜ | -⅛ |
| DI Inds | | 14 | 4 | 1 | 1 | 1 | |
| Dimark | | 22 | 372 | 13⅞ | 13 | 13½ | +½ |
| Ducommun | | 5 | 25 | 3⅛ | 3⅛ | 3⅛ | |
| Duplex | 0.48 | 60 | 87 | 11⅝ | 11⅜ | 11½ | +⅛ |
| DWG Corp | | 18 | 526 | 31⅛ | 30⅝ | 30⅞ | |
| Eastn Co | 0.46 | 14 | 8 | 11¾ | 11⅝ | 11¾ | |
| Eastgroup | 1.72 | 260 | 3 | 20½ | 20½ | 20½ | |
| Echo Bay | 0.07 | 60 | 3776 | 14⅛ | 13⅞ | 14 | -¼ |
| Ecol En A | 0.28 | 12 | 28 | 15⅜ | 15⅛ | 15⅜ | |
| Edisto Rs | | 6 | 45 | 7⅞ | d7⅝ | 7⅞ | +⅛ |
| Elan | | 18 | 1599 | 42⅞ | 42⅛ | 42⅞ | +⅞ |
| Engy Serv | | 82 | 4121 | 3⅜ | 3⅛ | 3⅛ | -⅛ |
| Epitope | | 11 | 434 | 19⅝ | 19⅜ | 19⅝ | +⅛ |
| Fab Inds | 0.64 | 13 | 11 | 35⅝ | 35⅛ | 35⅛ | |
| Fina A | 3.20 | 11 | 31 | 68½ | 68½ | 68½ | |
| FstCtyBnc | 0.20 | 12 | 21 | 11¾ | 11¾ | 11¾ | |
| Fluke (J) | 0.52 | 64 | 39 | 26 | 25¾ | 25¾ | -⅛ |
| Forest La | | 29 | 1065 | 47 | 46¾ | 46⅞ | +⅛ |
| Frequency | | 4 | 15 | 5½ | 5½ | 5½ | |
| Fr ofLoom | | 12 | 2750 | 32¾ | 32 | 32⅜ | |
| Garan | 0.80 | 9 | 38 | 32⅝ | 32¼ | 32⅝ | +¼ |
| Giant FdA | 0.70 | 17 | 258 | 25¾ | 25⅜ | 25⅝ | -⅛ |
| Glatfltr | 0.70 | 31 | 321 | 19 | 18¼ | 18⅞ | +½ |
| Goldfield | | 11 | 100 | | | | |

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Gulf Cda | 0.34 | 2 | 168 | 3½ | 3½ | 3½ | -1/16 |
| Hasbro | 0.24 | 16 | 3653 | 35⅝ | 35⅛ | 35⅝ | +¼ |
| Health Ch | | 6 | 81 | 4¼ | 4 | 4 | -¼ |
| Healthwst | | 3 | 313 | 3⅜ | 3⅛ | 3¼ | |
| Helco Cp | 0.15 | 29 | z100 | 10⅜ | 10⅜ | 10⅜ | |
| Hillhaven | | 12 | 879 | 3⅞ | 3⅞ | 3⅞ | |
| Horn&Hdt | | 82 | 380 | 4⅞ | 4⅞ | 4⅞ | |
| HvnanlanA | | 23 | 905 | 15 | 14½ | 14⅝ | -½ |
| ICH Corp | | 1 | 387 | 5½ | 5¼ | 5½ | +⅛ |
| InstronCp | 0.12 | 28 | 54 | 11½ | 11 | 11¼ | -½ |
| Int. Coms | | 4 | 1062 | 5¼ | 5 | 5⅛ | |
| Intermagn | | 71 | 181 | 14⅜ | 14 | 14¼ | -⅛ |
| Intermark | 0.12 | 0 | 159 | | | | |
| IntTelchg | | 0 | 380 | | | | |
| Ivax | 0.04 | 28 | 1851 | 28⅞ | 28½ | 28⅝ | -⅛ |
| Jan Bell | | 36 | 1298 | 10⅛ | 9½ | 9¾ | +⅜ |
| Ketema | | 10 | 170 | 14 | 13⅛ | 14 | +⅝ |
| Kinark Cp | | 19 | 27 | 3⅞ | 3¾ | 3¾ | -⅛ |
| Kirby Exp | | 30 | 870 | 20⅞ | 20⅝ | 20¾ | |
| Labarge | | 12 | 103 | 2 | 1 15/16 | 1 15/16 | -1/16 |
| Laser Ind | | 25 | 184 | 9 | 8⅞ | 9 | -1/16 |
| Lee Pharm | | 18 | 121 | 1¾ | 1⅝ | 1 11/16 | -⅛ |
| Lionel Cp | | 0 | 240 | | | | |
| Lumex Inc | | 12 | 26 | 10⅛ | d9⅞ | 9⅞ | -⅜ |
| Lynch Cp | | 7 | z100 | 23½ | 23½ | 23½ | |
| MatecTSc | | 24 | 645 | 23⅞ | 23⅝ | 23¾ | |
| Mepcam | | 4 | 42 | 38¾ | 38½ | 38¾ | +⅜ |
| Media A | 0.44 | 29 | 211 | 27⅞ | 28¾ | 27 | -⅝ |
| Mem Co | 0.20 | 3 | z100 | 4⅜ | 4¼ | 4¼ | |
| Moog A | | 13 | 343 | 8⅝ | 7⅞ | 8⅝ | +⅝ |
| MSR Expl | | 2 | 6 | | | | |
| Nat Pat | | 10 | 404 | 4½ | 4¼ | 4⅜ | +1/16 |
| New Line | | 34 | 643 | 25¼ | 24⅞ | 25⅛ | +⅛ |
| NY TmA | 0.56 | 89 | 789 | 29½ | 28⅝ | 29½ | +⅜ |

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Numac O&G | | 82 | 15 | 6⅝ | 6⅝ | 6⅝ | |
| NV Ryan | | 1 | 1284 | | | | |
| Odetcs A | | 34 | 135 | 9¾ | 9¼ | 9¾ | |
| Olsten | 0.24 | 58 | 1275 | 30¼ | 29⅞ | 30 | +⅝ |
| Pegasus G | 0.40 | 127 | 499 | 23⅜ | 23 | 23 | -⅜ |
| Penril | 0.80 | 2 | 36 | 12 | 11¾ | 11⅞ | +⅛ |
| Pet Hi&P | 1.88 | 27 | 50 | 20¼ | 19¾ | 19¾ | |
| Phil LD | 0.23 | 20 | 821 | 75¼ | 74¾ | 75¼ | -¼ |
| Pittway A | 0.50 | 17 | 37 | 32¼ | 31⅞ | 31⅞ | -½ |
| Ply Gem | 0.12 | 26 | 576 | u19 | 18¾ | 18⅞ | +¼ |
| PMC | 0.96 | 16 | 48 | 14⅜ | 14¼ | 14¼ | -⅛ |
| PresldioA | 0.10 | 1 | 666 | 2⅛ | 1 15/16 | 1 15/16 | -1/16 |
| RaganBrad | | 31 | 7 | 29½ | 29 | 29½ | |
| RB&W Cp | | 3 | 55 | 6¼ | 6¼ | 6¼ | |
| RiedelEnv | | 4 | 290 | 2⅞ | 2½ | 2½ | -⅛ |
| SJW Corp | 2.04 | 13 | 17 | u41½ | 41 | 41¼ | |
| SthnUnion | | 27 | 79 | 30 | 28⅞ | 29⅞ | +1⅛ |
| Sterl El | 0.04 | 13 | 216 | 11 | 10½ | 11 | +⅛ |
| TII Ind | | 24 | 79 | 3⅝ | 3¼ | 3½ | |
| Tab Prods | 0.20 | 52 | 132 | 9½ | 9¼ | 9½ | +⅜ |
| Tel&Data | 0.34 | 60 | 925 | 49¾ | 49 | 49¾ | +⅞ |
| Thermedics | | 71 | 804 | 14½ | 14 | 14¼ | |
| Thermotrns | | 34 | 86 | 32¾ | 32⅜ | 32⅜ | -¼ |
| TotPNA | 0.20 | 19 | 206 | 12⅛ | 11⅞ | 11⅞ | |
| TownCntry | | 1 | 174 | 3⅛ | 3 | 3 | -⅛ |
| Tubos Mex | | 18 | 78 | 5⅝ | 5½ | 5⅝ | |
| UtdFoodsA | | 4 | 65 | u1 15/16 | 1⅞ | 1 15/16 | -1/16 |
| UtdFoodsB | 0.30 | 90 | 45 | 1⅞ | 1⅞ | 1⅞ | -1/16 |
| UnivPtnts | | 18 | 241 | 6¾ | 6½ | 6½ | -⅛ |
| US Cellul | | 250 | 275 | 32¾ | 32½ | 32½ | -½ |
| Weatherfd | | 31 | 768 | 10⅞ | 10½ | 10⅞ | |
| Westamer | 0.60 | 19 | 51 | 26¾ | 25⅞ | 26¼ | +⅝ |
| WIRET | 1.12 | 18 | 224 | 13¼ | 12⅞ | 13 | |
| Worthen | 0.20 | 10 | 944 | 22⅛ | 21¾ | 21¾ | -½ |
| Xytronix | | 8 | 124 | 8½ | 8⅛ | 8⅛ | -⅜ |

AMERICA

# Inflation data fail to prevent profit-taking

## Wall Street

US share prices succumbed to profit-taking for the second consecutive session yesterday as the stock market failed to respond positively to good inflation news and a sharp drop in bond yields, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was down 7.60 at 3,842.71. The more broadly-based Standard & Poor's 500 was only slightly lower at the halfway mark, down 0.76 at 473.37, while the Amex composite was off 0.54 at 478.83 and the Nasdaq composite 0.94 lower at 784.58. Trading volume was 193m shares by 1 pm, and rises marginally outpaced declines by 961 to 946.

The day's big economic news was bullish for financial markets. The government announced that its index of producer prices rose by only 0.1 per cent in December, and that the "core" measure of producer price inflation (which excludes the volatile food and energy components) rose by 0.2 per cent during the month.

The data were in line with expectations, but still produced a strong reaction from the bond market, where prices of long-dated government securities jumped sharply, pushing yields lower.

In early afternoon trading the benchmark 30-year bond was up by more than a point, and the yield was down to 6.157 per cent.

Neither the inflation numbers, nor the bond market's strong performance, however, was able to breathe life into the equity market, where investors continued to take profits in the wake of the six-day long new year rally. As on Tuesday, blue-chip issues and other Dow stocks tied closely to the economic cycle – all of which had risen substantially during the first week of the year – were hardest hit by the selling.

Among individual sectors, auto makers, which have been in particularly heavy demand lately as investors bet on another year of improving car and truck sales, moved lower as a group. Ford fell $⅝ to $67⅞, General Motors gave up $⅝ at 59, and Chrysler slipped $⅝ to $58⅞.

Westinghouse Electric fell $½ to $13½ in volume of almost 2m shares as investors responded to the news that the company will take charges of $750m in a restructuring that will cut Westinghouse's workforce by 6,000. The company also plans to raise $500m of new capital to bolster its balance sheet.

American Express firmed $¼ to $31 after an analyst at Merrill Lynch upgraded his rating on the stock from "neutral" to "above-average". Fannie Mae firmed $¼ to $84½ on news of record fourth-quarter and annual earnings of $493.6m and $1.87bn, respectively.

On the Nasdaq market leading technology stocks were mixed, with Intel up $1¼ at $68 but Microsoft down $1¼ at $84 and Apple Computer off $⅞ at $31.

## Canada

Toronto was weaker overall at midsession, although the communications and media sector went in the opposite direction, the sub-index adding 137.08, or 1.6 per cent, to 8,567.36. The TSE-300 index was down 16.94 at 4,430.49.

Volume was 46.6m shares valued at C$566m.

ASIA PACIFIC

# Bangkok falls 7.3% on selling flurry

## Tokyo

Late afternoon index-linked buying lifted prices, and the Nikkei average finished 1.7 per cent higher, posting its sixth consecutive rise, *writes Emiko Terazono in Tokyo.*

The 225-issue index added 308.63 at 18,793.88 after a low of 18,301.93 in the morning and a high of 18,807.08 just before the close. The sudden wave of demand after a mainly quiet day took most investors by surprise, with some traders saying much of the buying was speculative.

The Topix index of all first section stocks closed 10.59 up at 1,511.43, and in London the ISE/Nikkei 50 index gained 4.68 at 1,252.09. Volume came to 410m shares, against 441m. Rises led declines by 792 to 234, with 144 issues unchanged.

Corporate investors continued to take profits ahead of the March book closing, depressing bank stocks. Active buying by foreign investors, seen during the past few trading sessions, was absent, while some dealers also took profits.

Housing and real estate shares were supported by reports that Mr Morihiro Hosokawa, the prime minister, was planning to set up a task force to study measures to revive the real estate market. Tokyu Land rose Y18 to Y666 and Daiwa House Industry put on Y10 at Y1,610.

Shipping issues, considered relatively cheap, were bought, with Dawasaki Kisen Kaisha moving ahead Y15 to Y345 and Iino Kaiun Kaisha Y15 to Y575.

Some banks were lower on profit-taking. Industrial Bank of Japan receded Y10 to Y2,860 and Sumitomo Bank also lost Y10, to Y1,980.

In Osaka, the OSE average firmed 117.73 to 20,502.48 in volume of 41.7m shares.

## Roundup

Pacific Rim markets remained in an extremely volatile state yesterday, with sharp falls seen in Bangkok, Kuala Lumpur, Hong Kong and Singapore.

However, Mr Jonathan Dennis of HG Asia commented that there was no common theme to link the day's falls; each of the markets was reacting to local developments. He noted that the day's falls had returned the indices in the four markets close to the levels seen on December 21 as the speculative bubble seen over the Christmas and new year period had finally burst. This begged questions about whether there would be the traditional run-up to the Lunar New Year from February 10 to 12.

**BANGKOK** plummeted 7.3 per cent, its sharpest ever one-day fall, as foreigners and local investors joined in a selling flurry that hit the recent gainers hardest. The SET index shed 117.30 to 1,487.76 in turnover of Bt24bn.

Finance, property and banking led the falls, with finance issues down 9.2 per cent.

**KUALA LUMPUR** tumbled 6.4 per cent, having been more than 12 per cent down at one stage, after the central bank took tougher measures to sap liquidity and flush out hot money from the banking system. The composite index was off 73.33 at 1,066.22 after a day's low of 1,015.14.

Yesterday's fall came on top of a 5.6 per cent slide on Tuesday after a warning by a government adviser that the market had risen too steeply.

**HONG KONG** continued its steep slide as it saw further profit-taking by foreign, mostly Japanese, institutions. The Hang Seng index dropped 443.08, or 4 per cent, to 10,712.73, having been 562 points down at one stage. Turnover amounted to HK$7.78bn.

**SINGAPORE** saw another plunge amid heavy retail and institutional selling which left the Straits Times Industrial index 87.89, or 3.7 per cent, lower at 2,260.31.

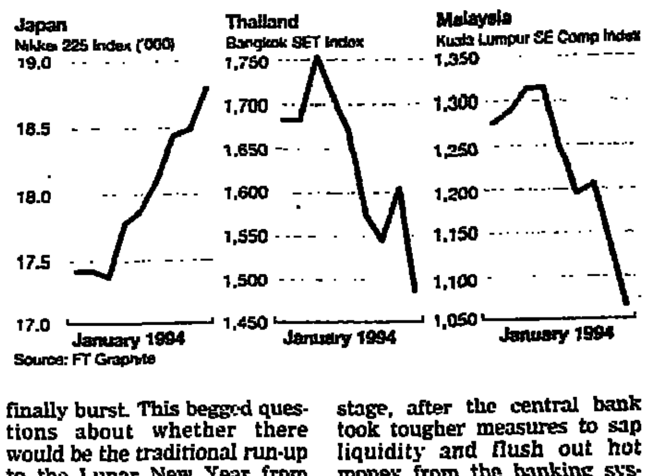
**TAIWAN** finished weaker in shrinking turnover as the market consolidated and an official was quoted as saying that the central bank would act to correct excessive flows of funds into the market. The weighted index fell 25.18 to 6,215.21.

**MANILA** was down for the fourth straight day, although bargain hunters emerged for selected stocks. The Manila index shed 111.39 to 2,978.00.

**SEOUL** picked up on demand for blue chips and shares with low price/earnings ratios, in spite of further selling by the Korea Stock Market Stabilisation Fund. The composite index put on 5.29 at 866.31.

**BOMBAY** moved sharply higher after the market was shaken out of a dull start by a fresh round of buying in later trading, brokers said. The BSE 30-share index finished 123.69 ahead at 3,903.79. **KARACHI** remained at a record peak and the KSE 100-share index rose 35.73 to 2,382.87.

### Asian markets



Source: FT Graphite

# Time to reflect on gains seen in 1993

**By John Pitt**

It was an impressive year all round for the world's emerging markets in 1993, but the question now exercising many minds is whether similar returns can be expected in 1994.

Already in the first few days of the new year sharp declines have been recorded in a number of markets – Kuala Lumpur, Bangkok and Mexico for instance – although for different reasons.

With regard to the Asian region, some analysts find few surprises in the reverses being recorded: they note that there was substantial year-end book building and the current situation is a healthy return to more realistic levels.

However, a more measured opinion comes from Mr Jonathon Compton at Credit Lyonnais Securities. He suggests that the 100 per cent returns which have delighted investors over the last couple of years are unlikely to be repeated in 1994.

"Such returns are almost certainly unrepeatable this year, and I would expect instead to see something in the order of 10 per cent; still pretty good but not like people have been used to," he says.

Of particular concern is the situation developing in China, he adds, which is, he believes, heading towards a balance of payments crisis, sooner rather than later.

"One is looking at a 50 per cent probability that China will face a combination of high inflation, high interest rates and a weak currency."

Another factor likely to influence Asian trading this year, says Mr Compton, is the trend towards higher interest rates, heavily influenced by the situation in the US.

In Latin America, Brazil remains the unknown, depending on the outcome of the reform plan, but otherwise, says Mr Roger Palmer of Kleinwort Benson, the region is likely to be a beneficiary of a movement of funds out of other regions, particularly Asia.

In addition it can be expected that UK funds will move increasingly into Latin America since they have minimal exposure there at present, notes Mr Palmer.

If the Brazilian rescue package is supported by congress a further boost will be granted to both the country and the region.

The team at BZW in London find Mexico, Colombia, Argentina and Chile attractive.

## EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

| Market | No. of stocks | Dollar terms: Jan 7 1994 | % Change over week | % Change on Dec '92 | Local currency terms: Jan 7 1994 | % Change over week | % Change on Dec '92 |
|---|---|---|---|---|---|---|---|
| **Latin America** | | | | | | | |
| Argentina | (25) | 999.04 | +0.6 | +72.2 | 613,039.41 | +0.5 | +72.6 |
| Brazil | (57) | 263.31 | +13.1 | +110.6 | 126,372,435.2 | +24.4 | +5959.8 |
| Chile | (25) | 582.72 | +5.6 | +39.2 | 1,005.72 | +5.5 | +58.8 |
| Colombia[1] | (11) | 670.95 | +4.1 | +57.8 | 967.55 | +4.4 | +66.2 |
| Mexico | (70) | 1,017.00 | +1.6 | +50.4 | 1,362.31 | +1.5 | +50.0 |
| Peru[2] | (11) | 119.52 | -1.2 | +19.5 | 159.33 | +0.2 | +69.8 |
| Venezuela[3] | (11) | 611.15 | +3.3 | +17.6 | 1,476.88 | +3.9 | +68.2 |
| **East Asia** | | | | | | | |
| China[4] | (18) | 144.04 | -3.5 | +44.0 | 158.36 | -3.5 | +58.4 |
| South Korea[5] | (156) | 120.04 | +1.6 | +22.3 | 128.27 | +2.2 | +26.1 |
| Philippines | (18) | 329.69 | -3.2 | +146.9 | 430.03 | -3.2 | +166.0 |
| Taiwan, China[6] | (90) | 138.85 | +2.7 | +88.2 | 136.94 | +2.4 | +86.4 |
| **South Asia** | | | | | | | |
| India[7] | (77) | 126.18 | +8.5 | +34.8 | 139.53 | +8.5 | +46.1 |
| Indonesia[8] | (37) | 129.24 | +3.7 | +120.2 | 148.26 | +4.1 | +125.4 |
| Malaysia | (105 | 321.93 | -5.0 | +96.8 | 312.27 | -7.3 | +97.9 |
| Pakistan[9] | (15) | 409.50 | +5.6 | +104.6 | 557.53 | +5.8 | +140.5 |
| Sri Lanka[10] | (5) | 178.10 | +0.5 | +78.1 | 192.24 | +0.7 | +92.2 |
| Thailand | (55) | 445.55 | -6.7 | +93.4 | 451.83 | -6.5 | +93.8 |
| **Euro/Mid East** | | | | | | | |
| Greece | (25) | 263.91 | +15.9 | +35.1 | 443.88 | +15.4 | +55.9 |
| Jordan | (13) | 172.05 | +3.9 | +47.3 | 249.88 | +4.4 | +50.7 |
| Portugal | (25) | 115.75 | +1.7 | +50.1 | 139.83 | +1.2 | +79.4 |
| Turkey[11] | (40) | 247.48 | +16.4 | +270.1 | 1,724.14 | +18.5 | +542.9 |
| Zimbabwe[12] | (5) | 178.85 | -11.5 | n.a. | 224.75 | +5.2 | n.a. |

*Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Aug 4 1989; (12)July 2 1993.*

EUROPE

# Alcatel slides 12% putting pressure on French equities

Individual stories played a major part in trading yesterday, *writes Our Markets Staff.*

Alcatel was the main story in **PARIS** as investors reacted nervously to comments by Mr Pierre Suard, the chairman, that turnover and profits would fall this year. Brokers' downgrades followed and the shares were suspended during the session limit down, before closing off FFr110 or 12.2 per cent at FFr792. A low of FFr787 was recorded as volume reached some 3.8m shares.

The effect on the CAC-40 index was to leave it down 49.43 or 2 per cent at 2,281.90.

Turnover was heavy at FFr9.2bn.

In contrast Thomson-CSF gained from switching out of Alcatel, with the shares rising FFr11.30 or 5.8 per cent to FFr206.90.

**FRANKFURT** slipped back further as worries over the future of Metallgesellschaft affected sentiment and the slide in Alcatel affected Siemens stock.

At the official close the DAX index was quoted down 19.57 at 2,209.18, but in after hours trading selling took hold to drive the Ibis calculated index down 45.70 to 2,182.36.

Turnover was DM11bn.

News that Norddeutsche Landesbank, one of industrial group's main creditor banks, was unwilling to accept the rescue package by yesterday's 5pm deadline, hit overall sentiment. Deutsche Bank, the main shareholder, which has criticised the stance of NordLB fared badly, down DM10.70 to DM851.50 at the close, and then sliding to DM839.00 in the after market. Daimler, another shareholder, fell DM7.50 to DM849.00, and to DMDM834 in the post.

Metallgesellschaft lost DM10 to DM226, then to DM223 in the after market.

Siemens dipped ahead of today's expected announcement of results with analysts anticipating disappointing news. The shares fell DM19 to DM762.50, before ending the post-bourse session at DM751.50.

**AMSTERDAM** also saw a downturn as the AEX index slipped 7.66 or 1.8 per cent to 416.35 following sharp falls in a number of the major issues: Royal Dutch off Fl 1.70 at Fl 208.00, Unilever down Fl 4.50 at Fl 219.30 and Elsevier down Fl 4.90 at Fl 177.70 for instance.

Further switching was seen out of Akzo and into DSM as the former lost Fl 4.90 to Fl 203.00 and the latter rose Fl 1.80 to Fl 112.30.

**MILAN** was distracted by the day's fast moving and constantly changing political developments as the government faced up to the long awaited vote of confidence. The Comit index added 3.26 to 605.39 with the mood again restrained by the absence of a firm date for the general election.

Montedison again saw huge volume of 47.9m shares, slipping L6.30 to L922.40 as the market awaited the outcome of the rights issue which closed on Monday.

Olivetti shed L6.30 to L2,047 on news that ENI had joined forces with Fiat and Fininvest to bid for the second license for Italy's mobile telephone network.

**ZURICH** finished easier but up from earlier lows with the SMI index 27.6 down to 2,999.0.

SBC bearers, the most actively-traded share, fell SFr6 to SFr507 after Tuesday's strong gains. Winterthur shed SFr26 to SFr833 and Swiss Re was SFr12 lower at SFr720.

Recently strong cyclical shares recorded losses. BBC Brown Boveri fell SFr33 to SFr1,132, and Alusuisse bearers were SFr24 lower at the day's low of SFr620.

Foreign selling again pressured SMH, the watchmaker, leaving the registered shares SFr10 lower at SFr191.

**MADRID** was left lower by profit-taking and the early fall on Wall Street, and the general index shed 2.55 to 330.84, with constructions and electrical stocks hardest hit.

Banks were stable, still soothed by Tuesday's comments by Mr Mario Conde, the former chairman of Banesto. Banco Central Hispano added Pta15 to Pta3,260 while Banco Santander added Pta50 to Pta6,590.

**STOCKHOLM** closed lower for the first time in 1994 mainly on profit-taking and awaiting the outcome of today's Riksbank council meeting. The Affärsvärlden general index dropped 13.2 to 1,495.3.

Volvo B bucked the trend to jump SKr8 to SKr585, with the climb attributed to positive analyses and car statistics. Ericsson B tumbled SKr8 to SKr353 on Wall Street declines.

**OSLO** lost out as investors took short term profits on recent gains. The all share index fell 6.08 to 641.23 in turnover of NKr784.4m.

Shipping shares bore the brunt of the falls but financials moved ahead on hopes of lower interest rates and good dividends from smaller companies.

**BRUSSELS** reversed early gains and the Bel-20 index lost 5.12 to 1,489.91. Turnover was BFr2.4bn. Clabecq added BFr60 to BFr840 on improved earnings prospects.

**Written and edited by John Pitt and Michael Morgan**

### FT-SE Actuaries Share Indices

Jan 12 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1484.98 | 1482.57 | 1482.49 | 1483.33 | 1483.00 | 1480.63 | 1477.96 | 1475.08 |
| FT-SE Eurotrack 200 | 1553.69 | 1553.87 | 1554.38 | 1554.87 | 1554.39 | 1551.02 | 1550.77 | 1547.81 |

| | Jan. 11 | Jan. 10 | Jan. 7 | Jan. 6 | Jan. 5 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1493.81 | 1483.27 | 1485.12 | 1481.29 | 1473.05 |
| FT-SE Eurotrack 200 | 1565.49 | 1561.06 | 1559.88 | 1548.25 | 1540.12 |

Base value 1000 (26/10/90); Highday: 100 - 1484.98; 200 - 1556.42 Lowday: 100 - 1474.62; 200 - 1547.81.

## SOUTH AFRICA

Gains in gold shares masked growing fears of a turnround in foreign sentiment. Golds rose 20 to 2,158 after Tuesday's 72-point fall, but industrials lost 31 to 5,646 as offshore buying dried up. The overall index shed 3 to 4,958.

## FT-ACTUARIES WORLD INDICES

*Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock

| | TUESDAY JANUARY 11 1994: US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield |
|---|---|---|---|---|---|---|---|---|
| Australia (69) | 172.36 | +0.7 | 171.35 | 122.55 | 155.91 | 166.12 | +0.4 | 3.10 |
| Austria (17) | 189.61 | +0.6 | 188.50 | 134.82 | 171.61 | 171.20 | +1.0 | 0.93 |
| Belgium (42) | 164.79 | -0.1 | 163.83 | 117.16 | 149.06 | 147.35 | +0.2 | 3.90 |
| Canada (107) | 140.42 | -0.6 | 139.60 | 99.84 | 127.00 | 134.34 | -0.1 | 2.50 |
| Denmark (32) | 260.47 | +0.4 | 258.96 | 185.20 | 235.60 | 239.22 | +0.8 | 0.95 |
| Finland (22) | 135.87 | +1.2 | 135.07 | 96.61 | 122.90 | 164.06 | +1.4 | 0.64 |
| France (99) | 182.15 | +0.7 | 181.09 | 129.51 | 164.75 | 169.03 | +1.0 | 2.75 |
| Germany (59) | 138.23 | -0.8 | 137.42 | 98.30 | 125.03 | 125.03 | -0.3 | 1.66 |
| Hong Kong (56) | 461.43 | -2.1 | 458.74 | 328.09 | 417.39 | 457.64 | -2.1 | 2.39 |
| Ireland (14) | 199.20 | -1.7 | 198.04 | 141.64 | 180.18 | 196.08 | -0.9 | 2.89 |
| Italy (69) | 67.25 | +2.1 | 66.86 | 47.82 | 60.83 | 85.47 | +2.1 | 1.92 |
| Japan (468) | 134.21 | -0.4 | 133.42 | 95.42 | 121.41 | 95.42 | -0.2 | 0.86 |
| Malaysia (69) | 535.22 | -7.1 | 532.10 | 380.55 | 484.10 | 559.44 | -5.6 | 1.30 |
| Mexico (18) | 2270.69 | -5.7 | 2257.43 | 1614.54 | 2053.88 | 7717.33 | -5.9 | 0.66 |
| Netherland (26) | 202.33 | -0.5 | 201.15 | 143.86 | 183.01 | 179.82 | +0.0 | 2.95 |
| New Zealand (14) | 70.27 | +0.4 | 69.86 | 49.97 | 63.56 | 66.61 | +0.1 | 3.52 |
| Norway (23) | 191.41 | +0.3 | 190.29 | 136.10 | 173.13 | 195.24 | +0.8 | 1.31 |
| Singapore (45) | 351.46 | -4.0 | 349.41 | 249.90 | 317.90 | 260.16 | -3.5 | 1.59 |
| South Africa (60) | 272.93 | -2.0 | 271.34 | 194.06 | 246.86 | 255.32 | -1.8 | 2.21 |
| Spain (42) | 142.04 | +1.6 | 141.21 | 101.00 | 128.48 | 155.41 | +1.6 | 3.85 |
| Sweden (36) | 209.31 | -1.0 | 208.09 | 148.83 | 189.33 | 253.84 | -0.3 | 1.37 |
| Switzerland (49) | 165.07 | -0.5 | 164.11 | 117.38 | 149.33 | 151.20 | +0.2 | 1.43 |
| United Kingdom (215) | 207.51 | -1.0 | 206.29 | 147.53 | 187.68 | 206.29 | -0.7 | 3.48 |
| USA (518) | 192.85 | -0.2 | 191.73 | 137.13 | 174.45 | 192.85 | -0.2 | 2.70 |
| Europe (745) | 172.24 | -0.4 | 171.24 | 122.47 | 155.80 | 167.08 | +0.0 | 2.72 |
| Nordic (113) | 202.30 | -0.3 | 201.11 | 143.84 | 182.98 | 213.02 | +0.3 | 1.17 |
| Pacific Basin (722) | 147.69 | -0.8 | 146.83 | 105.02 | 133.59 | 108.30 | -0.5 | 1.13 |
| Euro-Pacific (1467) | 157.75 | -0.6 | 156.83 | 112.16 | 142.68 | 130.83 | -0.3 | 1.85 |
| North America (625) | 189.57 | -0.2 | 188.47 | 134.81 | 171.50 | 188.62 | -0.2 | 2.69 |
| Europe Ex. UK (530) | 150.12 | +0.0 | 149.24 | 106.76 | 135.81 | 143.97 | +0.5 | 2.22 |
| Pacific Ex. Japan (253) | 276.33 | -2.3 | 274.72 | 196.51 | 249.97 | 256.28 | -2.1 | 2.36 |
| World Ex. US (1652) | 159.95 | -0.7 | 159.01 | 113.74 | 144.68 | 134.11 | -0.4 | 1.85 |
| World Ex. UK (1955) | 166.33 | -0.4 | 165.36 | 118.27 | 150.46 | 147.30 | -0.3 | 2.02 |
| World Ex. So. Af. (2110) | 169.27 | -0.5 | 168.28 | 120.37 | 153.12 | 151.56 | -0.3 | 2.17 |
| World Ex. Japan (1701) | 190.24 | -0.5 | 189.13 | 135.28 | 172.10 | 186.62 | -0.4 | 2.64 |
| The World Index (2170) | 169.91 | -0.5 | 168.92 | 120.82 | 153.70 | 152.39 | -0.3 | 2.18 |

| | MONDAY JANUARY 10 1994: US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX: 1993/94 High | 1993/94 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|
| Australia (69) | 171.15 | 169.68 | 121.41 | 154.01 | 165.51 | 172.36 | 117.39 | 119.14 |
| Austria (17) | 188.51 | 186.88 | 133.73 | 169.63 | 169.44 | 189.61 | 131.16 | 132.18 |
| Belgium (42) | 164.91 | 163.48 | 116.97 | 148.39 | 147.05 | 166.01 | 131.19 | 133.82 |
| Canada (107) | 141.23 | 140.01 | 100.18 | 127.08 | 134.41 | 141.23 | 111.41 | 113.26 |
| Denmark (32) | 259.40 | 257.16 | 184.02 | 233.42 | 237.35 | 260.47 | 185.11 | 189.37 |
| Finland (22) | 134.32 | 133.16 | 95.29 | 120.87 | 161.77 | 135.87 | 65.50 | 70.14 |
| France (99) | 180.83 | 179.27 | 128.27 | 162.70 | 167.39 | 182.15 | 142.72 | 143.55 |
| Germany (59) | 139.31 | 138.11 | 98.84 | 125.36 | 125.36 | 142.38 | 101.59 | 102.48 |
| Hong Kong (56) | 471.12 | 467.05 | 334.20 | 423.96 | 467.25 | 506.66 | 218.82 | 227.36 |
| Ireland (14) | 202.60 | 200.85 | 143.72 | 182.30 | 197.90 | 202.60 | 129.28 | 142.64 |
| Italy (69) | 65.87 | 65.30 | 46.72 | 59.27 | 83.73 | 78.93 | 53.78 | 54.76 |
| Japan (468) | 134.74 | 133.57 | 95.58 | 121.26 | 95.58 | 165.91 | 100.75 | 102.55 |
| Malaysia (69) | 576.28 | 571.31 | 408.79 | 518.55 | 591.82 | 621.63 | 251.66 | 253.02 |
| Mexico (18) | 2407.56 | 2386.78 | 1707.91 | 2166.42 | 8197.00 | 2457.89 | 1410.30 | 1675.44 |
| Netherland (26) | 203.45 | 201.69 | 144.32 | 183.07 | 179.85 | 203.59 | 150.39 | 160.98 |
| New Zealand (14) | 69.97 | 69.36 | 49.64 | 62.96 | 66.51 | 70.27 | 40.56 | 41.68 |
| Norway (23) | 190.78 | 189.13 | 135.34 | 171.67 | 193.68 | 191.41 | 137.71 | 145.25 |
| Singapore (45) | 366.20 | 363.03 | 259.78 | 329.51 | 269.53 | 378.92 | 207.04 | 209.23 |
| South Africa (60) | 278.48 | 276.07 | 197.54 | 250.58 | 260.20 | 280.28 | 144.72 | 158.64 |
| Spain (42) | 139.76 | 138.56 | 99.15 | 125.76 | 152.96 | 145.24 | 115.23 | 118.25 |
| Sweden (36) | 211.43 | 209.60 | 149.99 | 190.25 | 254.57 | 211.43 | 149.70 | 158.90 |
| Switzerland (49) | 165.88 | 164.45 | 117.68 | 149.28 | 150.87 | 166.68 | 108.91 | 109.93 |
| United Kingdom (215) | 209.55 | 207.74 | 148.64 | 188.55 | 207.74 | 209.56 | 162.00 | 170.73 |
| USA (518) | 193.25 | 191.58 | 137.09 | 173.90 | 193.25 | 193.25 | 175.38 | 176.19 |
| Europe (745) | 172.86 | 171.37 | 122.63 | 155.56 | 167.07 | 172.86 | 133.92 | 134.37 |
| Nordic (113) | 202.89 | 201.14 | 143.93 | 182.57 | 212.44 | 202.89 | 142.13 | 145.78 |
| Pacific Basin (722) | 148.81 | 147.52 | 105.56 | 133.90 | 108.87 | 168.80 | 105.89 | 107.26 |
| Euro-Pacific (1467) | 158.66 | 157.29 | 112.55 | 142.76 | 131.20 | 162.66 | 117.26 | 118.23 |
| North America (625) | 189.93 | 188.35 | 134.60 | 170.99 | 189.19 | 189.99 | 171.51 | 172.29 |
| Europe Ex. UK (530) | 150.05 | 148.75 | 106.46 | 135.05 | 143.31 | 150.12 | 112.51 | 112.77 |
| Pacific Ex. Japan (253) | 282.88 | 280.44 | 200.70 | 254.57 | 261.71 | 296.36 | 152.70 | 153.51 |
| World Ex. US (1652) | 161.04 | 159.55 | 114.25 | 144.92 | 134.64 | 162.89 | 118.51 | 119.47 |
| World Ex. UK (1955) | 167.07 | 165.63 | 118.53 | 150.35 | 147.71 | 168.66 | 134.22 | 134.52 |
| World Ex. So. Af. (2110) | 170.09 | 168.62 | 120.67 | 153.07 | 152.02 | 170.46 | 137.29 | 137.63 |
| World Ex. Japan (1701) | 191.27 | 189.62 | 135.70 | 172.14 | 187.33 | 191.27 | 157.47 | 157.47 |
| The World Index (2170) | 170.76 | 169.29 | 121.14 | 153.67 | 152.88 | 170.76 | 137.32 | 137.66 |



Latest prices were unavailable for this edition.